

1/9/78 [1]

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Letter	Mr. J.B. Fuqua to Mr. Charles Kirbo, 3 pp. re: personal matter	1/3/78	C
Memo	Zbigniew Brzezinski to Pres. Carter, 6 pp. <i>opened per RAC NLC-126-11-1-2-6, 3/26/13</i>	1/7/78	A
Message	M. Blumenthal to Pres. Carter, 5 pp. <i>opened per RAC NLC-126-11-1-1-7, 3/26/13</i>	1/5/78	A

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of the Staff Sec.-Pres. Hand-writing File 1/9/78 [1] BOX 67

RESTRICTION CODES

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THE WHITE HOUSE
WASHINGTON

1/10/78

Stu:

Jody's comment was received
too late to go in, but
you may wish to pursue it.

Rick Hutcheson

cc: Phil Wise
Jody Powell

THE WHITE HOUSE

WASHINGTON

Date: January 7, 1977

MEMORANDUM

FOR ACTION:

Hamilton Jordan
Frank Moore
✓ Jody Powell
Jack Watson

FOR INFORMATION:

Vice President

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Eizenstat/Schlesinger memo re Immediate Energy Concerns

ADMINISTRATIVELY CONFIDENTIAL

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 11:00 a.m.

DAY: Monday

DATE: January 9

NO EXTENSIONS

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☒ I concur.☐ No comment.

Please note other comments below:

*This is a workable idea. It should
be done on Tuesday for Wed. papers. I
think a late afternoon session by 4-5
at mat. President needs more briefing info -
facts and figures to cite etc. JPH*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required

THE PRESIDENT HAS SEEN.

180211

THE WHITE HOUSE

WASHINGTON

January 7, 1978

9

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES F. GAMMILL, JR. JFG

SUBJECT: Affirmative Action in Non-Career Hiring

At your direction, the heads of the departments and agencies in the Executive Branch have forwarded to the Presidential Personnel Office information about non-career positions within their departments and about the individuals who hold these positions.

This memorandum presents a status report on affirmative action hiring for non-career positions in the Cabinet departments. We have restricted the report to positions with a pay level of GS-13 or higher, equivalent to an annual salary of at least \$26,022. By this restriction, we hope to have captured only the substantial policy-making and implementing positions while omitting from the report the non-career support positions.

The statistics are derived from information voluntarily supplied by the incumbents holding those positions. Because some incumbents chose, as is their right, not to disclose certain personal data, the statistics do not reflect the total number of appointments.

This memorandum does not include the independent agencies or any of the regulatory commissions. In addition, the data received from the State Department has not been in a format compatible with our tabulation set-up. Until the reports are redone, the statistics for the State Department are not available.

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- 2 -

We have also gone back through the records on the appointments made by President Ford. By doing this, we believe we have a more accurate profile of the appointments of women by President Ford than what has been previously reported.

SUMMARY

SUMMARY: WOMEN

770 people responded. 165, or 21.4%, are women.

Of the 770 --

210 are Executive Level (\$47,500-\$66,000)

299 are NEA Level (\$42,425-\$47,500)

261 are Senior Level (\$26,022-\$47,025)

Of the 210 in the Executive Level, 30, or 13.3%,
are women.

Of the 299 in the NEA Level, 35, or 11.7%, are
women.

Of the 261 in the Senior Level, 100, or 38.3%,
are women.

SUMMARY: BLACKS AND HISPANICS

725 people responded:

68, or 9.4%, are Black
26, or 3.6%, are Hispanic

Of the 725 --

200 are Executive Level (\$47,500-\$66,000)
283 are NEA Level (\$42,425-\$47,500)
242 are Senior Level (\$26,022-\$47,025)*

Of the 200 in the Executive Level, 16, or 8.0%,
are Black; 9, or 4.5%, are Hispanic.

Of the 283 in the NEA Level, 21, or 7.4%, are
Black; 7, or 2.5%, are Hispanic.

Of the 242 in the Senior Level, 31, or 12.8%,
are Black; 10, or 4.1%, are Hispanic.

*The highest Senior Level Pay Grade is a GS-15,
Step 10, which is higher in actual dollars than
a GS-16, Step 1, the first NEA Level Pay Grade.

FORD
APPOINTMENTS

PRESIDENT FORD'S
APPOINTMENTS OF WOMEN

Our check through the official documents of President Ford has clarified 2096 appointments made by President Ford, excluding military appointments, commissions for White House staff members, and other miscellaneous appointments.

Out of the 2096 appointments, 273, or 12.9%, are women.

Of the 2096, 592 are full-time positions and 1504 are part-time positions.

Of the 592 full-time positions, 28, or 4.7%, are women.

Of the 1504 part-time positions, 245, or 16.2% are women; 43 of the 245 were appointed to the Commission for the Observance of International Women's Year.

President Ford's record of only 28 women appointed to full-time positions, representing only 4.7% of all full-time appointments, is the standard by which the Administration's figure of 13.3% should be compared.

WOMEN APPOINTED TO FULL-TIME POSITIONS BY PRESIDENT FORD

Arizona

Mary Anne Richey (US District Judge)

California

Carla Anderson (Secretary, HUD)
Juanita Ashcraft (Assistant Secretary, Air Force)
Shirley Temple Black (Ambassador to Ghana)
Shirley Temple Black (Chief of Protocol)
Marquita Maytag (Ambassador to Nepal)

District of Columbia

Betty Jo Christian (Commissioner, ICC)
Eloise E. Clark (Assistant Director, NSF)
Julia P. Cooper (Associate Judge, DC Court of Appeals)
Constance B. Newman (Assistant Secretary, HUD)
Ethel Bent Walsh (Vice Chair, EEOC)

Missouri

Rosemary L. Ginn (Ambassador to Luxembourg)

New Mexico

Susan B. Gordon (Assistant Secretary, HEW)

New York

Jean McKee (Deputy Administrator, American Revolution Bicentennial)
Mellissa F. Wells (Ambassador to Guinea-Bissau and Ambassador to
Cape Verde (simultaneous appointments))

Ohio

Patricia Byrne (Ambassador to the Republic of Malta)

Pennsylvania

Joan Aikens (Member, FEC)
Judith T. Connor (Assistant Secretary, DOT)

Texas

Anne L. Armstrong (Ambassador to Great Britain and Northern Ireland)
Kay Bailey (Vice Chair, National Transportation Safety Board)

Virginia

Betty S. Murphy (Chairman, National Labor Relations Board)
Evelyn K. Merker (Examiner-in-Chief, US Patent Office)
Dorothy Parker (US Parole Commission)
Georgiana Sheldon (Vice Chair, Civil Service Commission)
Margareta White (Commissioner, FCC)

Washington

Marjorie Lynch (Deputy Administrator, American Revolution Bicentennial Administration)
Marjorie Lynch (Under Secretary, HEW)
Dixy Lee Ray (Assistant Secretary, State)

WOMEN : FULL-TIME NON-CAREER POSITIONS

	TOTAL			EXECUTIVE LEVEL PAY GRADES (\$47,500-\$66,000)			NEA LEVEL PAY GRADES (\$42,425-\$47,500)			SENIOR LEVEL PAY GRADES (\$26,022-\$47,025)		
DEPARTMENT	<u>NO. WOMEN</u>	<u>NO. RPTG.</u>	<u>%</u>	<u>NO. WOMEN</u>	<u>NO. RPTG.</u>	<u>%</u>	<u>NO. WOMEN</u>	<u>NO. RPTG.</u>	<u>%</u>	<u>NO. WOMEN</u>	<u>NO. RPTG.</u>	<u>%</u>
AGRICULTURE	12	73	16.4	3	12	25.0	1	30	3.3	8	31	25.8
COMMERCE	18	92	19.6	4	28	14.0	3	29	10.3	11	35	31.4
DEFENSE	12	92	13.0	4	41	9.8	3	37	8.1	5	14	35.7
ENERGY	3	24	12.5	2	19	10.5	0	0	0	1	5	20.0
INTERIOR	11	76	14.5	1	12	8.3	2	36	5.6	8	28	28.6
JUSTICE	10	70	14.8	2	17	11.8	3	40	7.5	5	13	38.5
LABOR	14	57	24.6	2	15	13.3	3	19	15.8	9	23	39.1
TRANSPORTATION	12	56	21.4	2	12	16.7	5	23	21.7	5	21	23.8
TREASURY	11	53	20.8	2	19	10.5	4	21	19.0	5	13	38.5
HEW	34	104	32.7	4	22	18.2	7	49	14.3	23	33	69.7
TOTAL:	CONTINUED											

	TOTAL			EXECUTIVE LEVEL PAY GRADES (\$47,500-\$66,000)			NEA LEVEL PAY GRADES (\$42,425-\$47,500)			SENIOR LEVEL PAY GRADES (\$26,022-\$47,025)		
DEPARTMENT	<u>NO. WOMEN</u>	<u>NO. RPTG.</u>	<u>%</u>	<u>NO. WOMEN</u>	<u>NO. RPTG.</u>	<u>%</u>	<u>NO. WOMEN</u>	<u>NO. RPTG.</u>	<u>%</u>	<u>NO. WOMEN</u>	<u>NO. RPTG.</u>	<u>%</u>
HUD	28	73	38.4	4	13	30.8	4	15	26.7	20	45	44.4
TOTAL:	165	770	21.4	30	210	14.3	35	299	11.7	100	261	38.3

HISPANICS : FULL-TIME NON-CAREER POSITIONS

	TOTAL			EXECUTIVE LEVEL PAY GRADES (\$47,500-\$66,000)			NEA LEVEL PAY GRADES (\$42,425-\$47,500)			SENIOR LEVEL PAY GRADES (\$26,022-\$47,025)		
DEPARTMENT	NO. <u>HISPANICS</u>	NO. RPTG.	%	NO. <u>HISPANICS</u>	NO. RPTG.	%	NO. <u>HISPANICS</u>	NO. RPTG.	%	NO. <u>HISPANICS</u>	NO. RPTG.	%
AGRICULTURE	1	70	4.3	1	11	10.0	0	29	0	0	30	0
COMMERCE	3	90	3.3	2	27	7.4	0	29	0	1	34	2.9
DEFENSE	1	89	1.1	1	38	2.6	0	37	0	0	14	0
ENERGY	0	24	0	0	19	0	0	0	0	0	5	0
INTERIOR	2	76	2.6	0	12	0	0	36	0	2	28	7.1
JUSTICE	6	58	10.3	1	15	6.7	4	34	11.8	1	9	11.1
LABOR	4	56	7.1	1	15	6.7	0	18	0	3	23	13.0
TRANSPORTATION	0	44	0	0	12	0	0	19	0	0	13	0
TREASURY	0	50	0	0	19	0	0	20	0	0	11	0
HEW	4	96	4.1	1	19	5.3	2	46	4.3	1	31	3.2
TOTAL:	CONTINUED											

	TOTAL			EXECUTIVE LEVEL PAY GRADES (\$47,500-\$66,000)			NEA LEVEL PAY GRADES (\$42,425-\$47,500)			SENIOR LEVEL : PAY GRADES (\$26,022-\$47,025)		
DEPARTMENT	NO. HISPANICS	NO. RPTG.	%	NO. HISPANICS	NO. RPTG.	%	NO. HISPANICS	NO. RPTG.	%	NO. HISPANICS	NO. RPTG.	%
HUD	5	72	6.9	2	13	15.4	1	15	6.7	2	44	4.5
TOTAL:	26	725	3.6	9	200	4.5	7	283	2.5	10	242	4.1

BLACKS : FULL-TIME NON-CAREER POSITIONS

	TOTAL			EXECUTIVE LEVEL PAY GRADES (\$47,500-\$66,000)			NEA LEVEL PAY GRADES (\$42,425-\$47,500)			SENIOR LEVEL PAY GRADES (\$26,022-\$47,025)		
DEPARTMENT	NO. BLACKS	NO. RPTG.	%	NO. BLACKS	NO. RPTG.	%	NO. BLACKS	NO. RPTG.	%	NO. BLACKS	NO. RPTG.	%
AGRICULTURE	3	70	1.8	1	11	9.1	0	29	0	2	30	6.7
COMMERCE	5	90	5.6	1	27	3.7	1	29	3.4	3	34	8.8
DEFENSE	4	89	5.0	2	38	5.3	1	37	2.7	1	14	7.1
ENERGY	1	24	4.2	1	19	5.3	0	0	0	0	5	0
INTERIOR	3	76	3.9	1	12	8.3	2	36	5.6	0	28	0
JUSTICE	6	58	10.3	2	15	13.3	2	34	5.9	2	9	22.2
LABOR	9	56	16.1	1	15	6.7	4	18	22.2	4	23	17.4
TRANSPORTATION	3	44	6.8	2	12	16.7	1	19	5.2	0	13	0
TREASURY	7	50	14.0	2	19	10.5	2	20	10.0	3	11	27.3
HEW	12	96	12.5	1	19	5.3	6	46	13.0	5	31	16.1
TOTAL:	CONTINUED											

	TOTAL			EXECUTIVE LEVEL PAY GRADES (\$47,500-\$66,000)			NEA LEVEL PAY GRADES (\$42,425-\$47,500)			SENIOR LEVEL PAY GRADES (\$26,022-\$47,025)		
DEPARTMENT	NO. BLACKS	NO. RPTG.	%	NO. BLACKS	NO. RPTG.	%	NO. BLACKS	NO. RPTG.	%	NO. BLACKS	NO. RPTG.	%
HUD	15	72	20.8	2	13	15.4	2	15	13.3	11	44	25.0
TOTAL:	68	725	9.4	16	200	8.0	21	283	7.4	31	242	12.0

THE WHITE HOUSE
WASHINGTON
January 9, 1978

The Vice President
Midge Costanza
Hamilton Jordan
Jody Powell

The attached is forwarded to
you for your information.

Rick Hutcheson

AFFIRMATIVE ACTION IN NON-CAREER
HIRING

780035

THE WHITE HOUSE
WASHINGTON

January 9, 1978

Zbig Brzezinski

The attached was returned in the President's outbox and is forwarded to you for your information and appropriate handling.

Please forward a copy of the attached to Paul Warnke.

Rick Hutcheson

CTB Negotiations

~~SECRET~~ ATTACHMENT

DECLASSIFIED

Per: Rac Project

ESDN: NLC-126-11-1-2-6

BY KS NARA DATE 3/21/13

THE WHITE HOUSE
WASHINGTON~~SECRET~~ - XGDS

January 7, 1978

INFORMATION

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *for*
SUBJECT: CTB Negotiations

Paul Warnke has sent you a report on the December 5-20 round of the CTB negotiations (Tab A). As Paul notes, most of this brief session was devoted to discussion of the US Working Paper on the key elements of a CTB treaty. The Soviets appeared to consider this a positive step, but considerable differences remain on our positions on duration, PNEs, on-site inspection, and internal seismic stations. (S)

The negotiations are tentatively scheduled to resume on January 18, although this date will probably be slipped a week or so to permit more time for internal review. The main issue for resolution in the interim is our position on on-site inspection. Paul is preparing a detailed proposal on this issue, which we will review in the SCC and forward to you along with our recommendation for instructions for our delegation. (S)

~~SECRET~~ - XGDS

DECLASSIFIED

Per, Rac Project

ESDN; NLC-126-11-1-2-6

BY *K3* NARA DATE *3/24/13*

8602
~~SECRET~~

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY
WASHINGTON

OFFICE OF
THE DIRECTOR

December 29, 1977

*Good report
J*

MEMORANDUM FOR THE PRESIDENT

Subject: December Round of Trilateral Comprehensive
Test Ban (CTB) Negotiations

During the recent round of trilateral talks, held in Geneva from December 5 to 20, the principal development was our formal tabling of a U.S. Working Paper outlining our views on the key substantive elements of a multilateral treaty banning nuclear weapons tests and of an integrally related protocol dealing with peaceful nuclear explosions. Much of the session was devoted to answering detailed Soviet questions regarding our working paper and, in the process, we got a fairly good picture of Soviet thinking on the main issues. Highlights are summarized below.

On-Site Inspections (OSI). As instructed, our delegation did not put forth a specific proposal on OSI. Instead, we continued to express our interest in narrowing the differences between the traditional positions of the participants and extensively explored Soviet receptivity to the idea, discussed during the 1958-1962 CTB negotiations, of an annual quota of mandatory inspections.

The Soviets stated categorically and repeatedly that they were not prepared to consider any form of mandatory OSI, including a quota. They said that a U.S. proposal for mandatory OSI would be rejected and would be regarded as an attempt to complicate the negotiations at a time when the USSR had made several important concessions in order to make agreement possible. They maintained that the Soviet side had already demonstrated its willingness to find compromises that bridged traditional positions on OSI, citing their acceptance of the Swedish-developed concept of "challenge" inspections and their recent willingness to work out in advance the detailed rights and functions of inspection teams, rather than leave them to ad hoc decisions by the host party.

~~SECRET~~
XGDS-3

DECLASSIFIED
Per, Rac Project
ESDN; NLC-126-11-1-2-6
BY KS NARA DATE 3/21/13

~~SECRET~~

-2-

However, while rejecting the concept of mandatory OSI, the Soviets agreed with the principle that requests for OSIs should not be dealt with in an arbitrary manner and they unquestionably understood our emphatic assertion that the treaty would be placed in jeopardy if this principle were not observed. The Soviets have indicated that, if we do not find their prior proposals adequate, it is up to us to give them a specific alternative when the negotiations resume in January.

Duration. We stressed our opposition to the Soviet proposal for a treaty that would terminate automatically if China and France have not joined within three years, and proposed instead the right of any party to withdraw on one year's notice if, after three years, continued testing by a non-party affected its security.

The Soviets admitted to us informally that they recognize that their idea of a "guillotine clause" will have to be abandoned, and they indicated they would be considering alternatives enabling the treaty to be extended even without participation by all nuclear powers. However, they expressed serious concern with our "right of withdrawal" formula. They argued that, of the three nuclear powers that would join from the start, the USSR would feel the greatest pressure to withdraw because of Chinese and French testing, but that, if they actually decided to invoke their right to do so, they would be subject to heavy criticism for contributing to the breakdown of the treaty regime. Because of this concern, they favored the concept that all the nuclear powers should be released from their obligations simultaneously. I believe it will eventually be possible to work out an acceptable compromise that promotes our basic objectives (e.g., a formulation providing that, after a specified period, treaty parties would determine, perhaps at a review conference, whether the treaty would continue for another specified period).

Peaceful Nuclear Explosions. While accepting the Soviet idea of a protocol on PNEs and agreeing that the possibility of carrying out PNEs in the future should be kept "under consideration", we took a strong position that the ban on PNEs must remain in force as long as the weapons test ban remains in force, unless of course the PNE ban is replaced earlier by arrangements for conducting PNEs that the U.S. can support.

~~SECRET~~

~~SECRET~~

-3-

The Soviets asserted that they continue to have a strong interest in carrying out PNEs in the future and that means can be found for eliminating any military benefits. They maintained that our proposal on duration of the PNE ban is unsatisfactory, since it would provide no incentive to reach agreement on arrangements for conducting PNEs. Instead, they called for a definite time limit (three years) for negotiating such arrangements, after which the moratorium on PNEs would expire -- presumably whether or not those arrangements had been concluded and whether or not the treaty on weapon tests continued.

We, of course, emphasized that it would be unthinkable for us to leave PNEs unconstrained while the weapons test ban continued. Soviet delegation members appreciate why their proposal would not be acceptable to us, but have not hinted at any means of solving this problem and have instead pointed out that the PNE issue continues to involve substantial bureaucratic stakes in Moscow, thus making it difficult for them to alter their position very soon.

Internal Seismic Stations. Although our detailed proposals will not be ready until January, we outlined our general thinking on the design of the stations and indicated that, as long as agreement can be reached on the technical requirements for ensuring the receipt of timely and authenticated seismic data, we would not object to Soviet manning of stations in the USSR.

The Soviet response was somewhat ambiguous. The technical members of their delegation seemed receptive to our concept and particularly interested in receiving sophisticated U.S. equipment for the stations. At the higher, political level, however, a more cautious position was taken. They seemed particularly sensitive to any appearance of the internal stations making inroads on Soviet sovereignty, and expressed concern about whether the U.S. concept permits sufficient Soviet national responsibility and control over the stations on their territory.

We cannot expect a definitive Soviet reaction until we have presented our ideas in detail next round. However, in light of the important political and ideological implications of "authenticated" internal stations for the Soviet leadership, I would be very surprised if achieving Soviet acceptance of an effective arrangement did not require a prolonged and difficult negotiation.

~~SECRET~~

~~SECRET~~

-4-

General Comments. Although the Soviet negotiators repeatedly expressed appreciation of our Working Paper and the detailed explanations given them, there was no new movement on their part on the issues of PNEs, treaty duration, and internal seismic stations. Indeed, some slight hardening of position could be discerned. It should be remembered that, in putting forth on November 2 the revised Soviet positions on a PNE moratorium and entry into force, Morokhov stressed that the Soviet leadership expected some reciprocal movement on our part to accommodate their position on verification. This expectation was emphasized often during the recently completed round.

I believe, therefore, that the Soviet delegation was disappointed and a bit put off by our failure to propose a specific provision bridging the gap between our past insistence on mandatory on-site inspections and their concept of voluntary on-site inspections. I think we can expect little further progress on the other issues until we deal constructively with this issue.

Consequently, if we are to maintain the current momentum toward agreement, the most urgent requirement in our preparations for the round scheduled to begin on January 18 is to adopt a position on how on-site inspections will be initiated. I will shortly be sending you a memorandum recommending an approach to the OSI issue. In addition, I believe it is important that we be prepared when the talks resume to present detailed proposals on the contents of the separate verification agreement we would conclude with the Soviets to supplement the multilateral CTB treaty.



Paul C. Warnke

~~SECRET~~

780011

THE WHITE HOUSE
WASHINGTON

January 9, 1978

Hamilton Jordan

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: STATEMENT ON THE DOLLAR--BURNS

CONFIDENTIAL ATTACHMENT

DECLASSIFIED

Per: Rac Project

ESDN: NLC-86-11-2-1-7

BY: K5 MHA/JUL 3/8/12

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI
/	

MONDALE
COSTANZA
EIZENSTAT
JORDAN
LIPSHUTZ
MOORE
POWELL
WATSON
McINTYRE
SCHULTZE

ENROLLED BILL
AGENCY REPORT
CAB DECISION
EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

ARAGON
BOURNE
BRZEZINSKI
BUTLER
CARP
H. CARTER
CLOUGH
FALLOWS
FIRST LADY
HARDEN
HUTCHESON
JAGODA
GAMMILL

KRAFT
LINDER
MITCHELL
MOE
PETERSON
PETTIGREW
POSTON
PRESS
SCHLESINGER
SCHNEIDERS
STRAUSS
VOORDE
WARREN

IMMEDIATE
PRECEDENCE

~~CONFIDENTIAL~~
CLASSIFICATION
EXDIS

FOR COMMCENTER USE ONLY

FROM: SEC. BLUMENTHAL
TO: SUSAN CLOUGH FOR
THE PRESIDENT
INDERFURTH FOR
INFO: DR. BRZEZINSKI

DEX _____

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GPS _____

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PAGES 2

TTY _____

CITE _____

DTG: 052042Z

RELEASED BY: JW

TOR: 052055Z

SPECIAL INSTRUCTIONS:

SIT TO 130

DELIVER IMMEDIATELY UPON RECEIPT!

1978 JAN 5 20 42

SC.

The P. can
see this on the
way between
D.C.

2B

Ham -
I agree - Mike
& Stu - Burns should
attend mtg - draw
up - Frank a list
& let's move!

JC

Electrostatic Copy Made
for Preservation Purposes

DECLASSIFIED
Per: Rac Project
ESDN: NLC-126-11-1-1-7
BY: KS NARA DATE: 3/21/13

~~CONFIDENTIAL~~

IMMEDIATE

~~CONFIDENTIAL/EXDIS~~

MESSAGE TO BE DELIVERED TO THE PRESIDENT

January 5, 1978

TO THE PRESIDENT:

It is gratifying that the sharp decline of the dollar has at least temporarily been reversed. Your statements in Europe and activation of the swap line have worked as well or better than we could have expected. Nevertheless, I continue to be very concerned about the situation of the dollar. There is absolutely no assurance that another major assault on the dollar could not take place at any time. Our resources could be rapidly depleted. We are surveying other steps which could be taken. None are very attractive and all have high domestic political costs impinging on your other priority programs.

While there is no single cause of the continuing weakness of the dollar, clearly one reason for the recent problems has been the deadlock over the energy program. I, therefore, believe there is both a need and an opportunity upon which you can seize, focusing on the problems of the dollar, to create a sense of urgency in the Congress and the country in support of early passage of your energy legislation.

I have read and heartily endorse the Stu Eizenstat memorandum to you of December 23 on the National Energy Plan. Supplementing it, I recommend that you seriously consider the following:

1. Immediately upon your return to indicate to the Congressional leaders and to the public the close relationship between delay in passage of the NEP and our ability to lead on international economic issues of vital concern to us including our relations with the OPEC

~~CONFIDENTIAL/EXDIS~~

~~CONFIDENTIAL~~

DECLASSIFIED

Per: Rac Project

ESDN: NLG-126-11-1-1-7

BY JVS NARA DATE 3/21/13

~~CONFIDENTIAL~~

~~CONFIDENTIAL/EXDIS~~

Page two

countries, oil pricing, etc.

2. Stress that disorder in foreign exchange markets and the weakness of the dollar is directly related to world-wide concern over U.S. delays in enacting your NEP and in growing U.S. energy imports.

3. That your commitment to insure a strong and stable dollar and U.S. credibility on this subject requires moving ahead urgently to agree on the NEP conference reports.

In other words, adding emphasis on the dollar problem as another reason why an immediate strong effect must be undertaken to agree on a compromise NEP is of great importance. I agree with Stu that Presidential involvement and leadership will be necessary to bring about agreement. I also have no doubt that achieving agreement on the NEP will be an important factor in providing added strength to the dollar which is fundamental and more lasting in nature.

W. Michael Blumenthal

~~CONFIDENTIAL~~

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

780025

C/

6 January 1978

TO: THE PRESIDENT
FROM: RICK HUTCHESON *R.H.*
SUBJECT: Memos Not Submitted

1. ATTORNEY GENERAL BELL sent you a copy of a speech on conservation by former Interior Secretary Walter Hickel, and underlined the following sentence:

"Offshore Alaska, out to a depth of 200 meters, there's an estimated 600 to 750 billion barrels of oil awaiting those who have the imagination and perseverance to retrieve it." ✓

2. BOB LIPSHUTZ sent you a note relaying a message from Irving Shapiro. Shapiro is upset about a recent Fortune article attributing to him the opinion that "the Administration has a bias against business." Shapiro says this represents neither his thinking nor statements made by him to the Fortune reporter. ✓

3. CEA sent you a report on its 1977 activities, as required by Act of Congress. CEA indicates that this is nothing you need to read. ✓

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COUNSELOR TO THE
ATTORNEY GENERAL



1/3/78

TO: Rick Hutcheson

FROM: Mike Kelly

The Attorney General
asked me to forward this to
the President.

ACTION,
THE FINEST KIND
OF CONSERVATION

WALTER J. HICKEL

Mr. President:
please note P. 1.
Murray B. Beebe
12/26/77

AN ADDRESS TO
THE MILE HIGH CLUB
Denver, Colorado

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ACTION, THE FINEST KIND OF CONSERVATION

I am often asked, "What happens when the oil runs out?"

My answer shocks many people. Because in the sense that oil is a hydrocarbon, I don't believe we will ever run out. And yet we have a crisis of enormous dimensions. Let me explain.

We might run out of a known oil reserve, but we'll never run out of hydrocarbons or energy. Those who predict that we will, do so on the basis of today's knowledge and know-how.

We cannot solve tomorrow's problems with today's technology or knowledge.

Our greatest danger is becoming locked in fear of the unknown, frozen in our tracks because we can't see all the answers to tomorrow's needs.

There are vast untouched resources in this amazing earth of ours.

Take a look at the globe for a moment. Then look at the whole world Arctic. The Prudhoe field on the North Slope of Alaska has some ten billion barrels of recoverable oil, and there are other structures of greater magnitude.

Offshore Alaska, out to a depth of 200 meters, there's an estimated 600 to 750 billion barrels of oil awaiting those who have the imagination and perserverance to retrieve it.

And Alaska is only a small part of the world Arctic.

Walter J. Hickel, former United States Secretary of the Interior and Governor of Alaska, delivered the following address to the Mile High Club in Denver, Colorado on March 30, 1977.

Then look at the world's oceans. What's out there? Mexico has recently announced a new find in the Gulf that promises to provide 75 billion barrels of oil to known reserves.

What about the great tropical jungles of the southern hemisphere? What about the core of the earth?

But we don't need to go as far as that in our imagination. We know we have some three trillion tons of coal in America and Alaska. That's enough coal for a thousand years at the rate of nine million tons a day.

If we look at the gasification of coal, or the using of coal in the place of oil and natural gas, it truly raises the question, "Are we running out of anything?"

I heard recently that a weed has been developed that produces hydrocarbons. It is estimated that a field the size of Arizona could raise enough of this extraordinary plant to provide for America's energy needs.

I'm not saying that mankind will never run out of a resource, but I am saying we will never run out of resources.

Think of the oil shale and the tar sands.

When I was Interior Secretary in 1969 and 1970, I was told we couldn't afford to use them. It was too expensive compared to \$2 a barrel crude oil. They said it would take at least \$4 a barrel to make oil shale profitable. Well how does \$4 a barrel look today when we are paying \$12 for Middle East crude?

I'm asking you to take a fresh look at today's popular theory of resource shortage.

We're not going to run out of anything. The only thing we might run out of is imagination.

And yet, we face a very serious crisis for three reasons.

First of all, because natural gas is too valuable to burn in a boiler for the generation of electricity or industrial use. It's like burning a beautiful log of black walnut, the mink coat of woods, to heat a cabin.

"We're not going to run out of anything. The only thing we might run out of is imagination."

Natural gas is the nearly magic raw material that we use for producing vitamins, antibiotics, plastics, contact lens and literally thousands of other items.

Concern over waste of this precious resource is the major reason I support moving North Slope natural gas down the Trans-Alaska oil pipeline corridor.

There is a great controversy swirling around this issue in both Alaska and Washington, D.C. Some Senators and Congressmen want a new pipeline corridor established 2300 miles through Canada to their home states.

My concern is for the highest and best use of that resource. If that natural gas, about 26 trillion cubic feet of it, is locked into a system that basically burns it for industrial use and the generation of power, it is a terrible waste.

If, instead, we take that natural gas to tidewater at Valdez or Cook Inlet, it can then be

liquified or used in petro-chemical industries that can refine and utilize it for those purposes many times more valuable.

The second reason there is a crisis nationally is because of the threat of a future embargo. This could well happen.

In my opinion, there will always be a seller; someone who has fossil fuel on the international marketplace. But at what price?

During the last embargo, apart from some minor inconvenience at the local filling station, the public didn't realize what was happening to them.

A barrel of oil jumped from \$2.50 to \$12.00.

Energy-based inflation devastated our farmers in the cost of fuel for their machinery and fertilizer for their fields.

Inflation hit the textile industry and the cost of building materials.

We felt the impact on our home heating and lighting bills.

The costs of the very basics of life, food, clothing, and shelter skyrocketed. And the high price of energy threw people out of work.

"Make no mistake, if America flounders there will be no one who can save us."

There is an unusual tie-in between energy and poverty, energy and life, energy and peace.

The third reason there is a crisis is national security.

Think for a minute about the tie-in between energy and national defense.

If we were 50 or 60 percent dependent upon imported oil, and we are rapidly approaching those figures, and another major oil embargo hit us, I seriously doubt whether we could mobilize.

Without energy, the billions and billions we have spent on our defense organization would be meaningless.

This is not an idle threat.

America must be more nearly energy self-sufficient if she is to protect her future. We should not, at any time, import more than twenty percent of our energy needs.

Russia's greatest strength is not her ideology or her military arsenal, it's the ocean of oil she has recently discovered in her Arctic, and the attitude of her people up there.

She knows that the most basic world struggle is an economic struggle. And that struggle will be won or lost on the availability of energy.

The security of America is important to the future of mankind and its growth, not because of the material side of our society, but because of the freedom of the mind.

When other nations are in trouble, we come to their aid. But make no mistake, if America flounders, there will be no one who can save us.

So my three reasons for seeing a crisis are: (1) some fossil fuels are too valuable to burn, (2) shortage means runaway inflation, and (3) the American idea cannot survive without energy self-sufficiency.

What then is the solution?

The energy problem has been a public problem for five years. And yet month by month, week by week, our country is going further and further in the hole.

The solution can't be found by reorganizing legislative bodies or administrative agencies. It really can't fundamentally be solved by Congress. It has to be done with action.

It has to take place out in the coal fields in the West.

It has to take place with the geothermal resources under the crust of the earth.

It has to take place out in the oceans and on the outer continental shelf.

It has to take place in the cold of the Arctic and the heat of the desert.

But most important, it has to take place in our hearts and our minds.

To be a success at anything requires the right attitude, and attitude is the most critical factor if we are going to lick the problems of energy.

There's a gray cloud hanging over the minds of many Americans when they talk about energy. They equate energy with out-of-date images of the soot of coal and the smog from automobiles. They see energy as pollution; when in essence, energy is the key factor in cleaning up pollution.

Not that there haven't been mistakes in the past, but those mistakes were of doing, not mistakes of intent.

I'm saying we must mobilize America with the

right attitude and intentions to meet the needs of our civilization in an efficient, orderly manner.

It was energy that brought primitive man out of slavery.

It was electricity that freed us from the everyday drudgeries that plagued the human race from the beginning of Man.

I say be cautious, think, trust good minds, but don't out of fear, stop something that could be a great benefactor to all mankind.

There are three elements to a national energy policy, all of which are important.

The first is energy conservation.

Everyone pays lip-service to conservation. And it is indeed vital and important. We can and must become less wasteful, whether it is in the way we light and heat our homes or run our automobiles.

With the right attitude and technological advances, I believe we can cut down as much as fifteen percent of our current usage per individual.

"It was energy that brought primitive man out of slavery."

But action is the finest kind of conservation. Let me explain.

One of the greatest wastes, and I touched on this earlier, is the use of natural gas for industrial use and the generation of electricity in homes, buildings, and industry.

Electricity is the most environmentally pure

energy, but the way we produce that electricity must be converted.

Coal is a truly great hope in this area. We have the technology, the precipitators and the scrubbers to clean up the emissions from large utilities that burn thousands of tons a day.

Recently a group of activists brought to a halt an enormous coal-fired electrical generating facility in Utah. That facility was not an enemy of the environment, it was a friend of the environment, for the reasons I've mentioned.

"Let's bring back the nation's railroads."

Another action-oriented conservation measure would be the establishment of a national energy grid. I called for this when I was Secretary.

I envisioned seven, eight or more great power-generating sites throughout the country all tied together in a loop and linked to our many existing utilities. It would connect the entire United States into a system. While one section of the country is sleeping, the other section is working. This grid would avoid idle production. It's not necessary to move the resource around, move the electricity.

We know how to transport power 700 to 1000 miles with direct current transmission systems. If we set the power plants 1500 miles apart, we could transport the power 750 miles each way.

This would be environmentally sound, avoid waste, and help beautify the country by removing

unsightly power lines that crisscross the landscape, often duplicating each other.

Another vital program for energy conservation is to bring back the nation's railroads.

Let's take the trucks off the highways and piggy-back them on the railroads. Just think of the energy saved by one engine pulling over 1000 truckloads of freight across the country; not to mention how it would help the safety of highway travel. Think of how it would contribute to the pleasantness of driving through the countryside.

Of course, we would still use trucks to deliver, but when they make runs over 500 miles or across the continent, tremendous amounts of energy could be saved by using the iron wheel and the rail.

The second component of a national energy policy is the development of alternate energy sources.

Each of the alternate energy sources we are studying today should be developed in the area in which it is found.

Geothermal power should be utilized in California and other western states where it is readily located.

Hydro power should be used where rivers are available and where the environmental impact does not cause major disruption.

Solar should be used wherever it is practical.

And wind power has potential in some places such as Hawaii with its trade winds and easily accessible mountains.

My point is that we should use all of these, tied together, as part of the national energy grid I spoke of. That would be an example of a free nation with a free mind making something happen.

"A free nation with a free mind making something happen."

The ultimate solution lies with the atom. We have spent literally billions of dollars developing the breeder reactor. Now there is a controversy over whether it's safe.

Well if there is a problem, let's not blacken the name of all nuclear power so that we fail to solve the technological problems that will produce the ultimate solution which is fusion; not splitting atoms, but welding them together.

When fusion is harnessed we'll have freed mankind. It's clean, free from radioactive waste, and its basic fuel is inexhaustible.

As we work on this challenge, we mustn't make the mistake of putting all our efforts into solving the ultimate. If we become too focussed, the mind will become dull. It won't be free.

It's the creative mind doing a thousand things that will search out and solve our total energy problems.

The temptation of the liberal mind, one who doesn't understand how to make something happen, is to place all his hopes on one solution. He may protest and cause something to be brought to a halt. But when this, in turn, causes a new problem, in his panic he will try to pass a law to solve it overnight.

An example is the bill before Congress that would convert all power generation to coal by 1985. It was only a few years ago that Congress forced the utilities to abandon coal and use oil or natural gas. The fad of the moment swings the pendulum back and forth.

The third component of a true national energy policy, after conservation and the development of alternate energy sources, is immediate production of the resources we have available. This is the most important component.

We must free up the industry to meet our shortages. We have the resources in our own territory. It's time we went after them.

The only way to solve the crisis we are in today is production, whether it's coal, oil, natural gas or the alternate energy sources I mentioned.

This can't be done overnight. We must free up our private sector to move ahead. They don't want to do it wrong. They want to do it right. And, what's more, they know how.

"You will never solve the energy problem by clubbing the energy producers to death."

You will never solve the energy problem by clubbing the energy producers to death.

A simple example is in the production of natural gas. Congress, in its unknowledgeable approach to the problem, has kept the wellhead price static since 1956. Well if it was right for gas, why didn't they do the same with their own salaries over the same period? It's as simple as that.

If you tie up the system too tight, you can't produce.

It's ironic that we let the Arab nations up the price of crude oil 500 percent, but when the local utility wants a five percent increase, the consumers fight it to the death.

We should accept a gradual increase and pay it within the system internally so that jobs are created and taxes produced and energy supplied domestically in an independent nature.

Rather than that, we literally pay our potential enemies five times the amount we were paying ourselves.

"Let's not destroy this great civilization by panic or fear."

So, let's not destroy this great civilization by panic or fear. Let's show some responsibility to the people who helped give us the lifestyle of freedom and an abundant way of life.

In our hatred to punish the successful, we have literally brought this nation to a halt.

The thrift of a farmer and the pioneer is no longer evident. The hard work of the homesteader and the fisherman is no longer found.

It was the guts of the individual, the incentive motivated guy who fulfilled the needs of this country.

We must not let our national policy be determined by those who want to share our lifestyle without working, or the extremist who would seek an injunction to stop everything and

leave our people cold, hungry and unemployed.

We have the resources, we have the imaginations, let's free them up to give us what we need.

Let's show what can be done by men of vision and by a forthright, honest effort.

THE WHITE HOUSE
WASHINGTON

January 3, 1978

The Vice President
Stu Eizenstat
Jack Watson
Jim McIntyre

The attached is forwarded to
you for your information.

Rick Hutcheson

RE: REPORT OF THE CEA

for summary

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

December 30, 1977

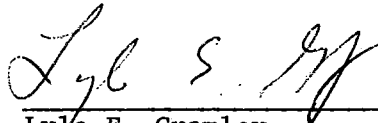
Mr. President:

The Council of Economic Advisers submits this report on its activities during the calendar year 1977 in accordance with the requirements of the Congress, as set forth in section 4(d) of the Employment Act of 1946.

Cordially,



Charles L. Schultze, Chairman



Lyle E. Gramley



William D. Nordhaus

REPORT TO THE PRESIDENT ON THE ACTIVITIES OF THE
COUNCIL OF ECONOMIC ADVISERS DURING 1977

The membership of the Council of Economic Advisers changed entirely in January 1977 when the Carter Administration took office. Charles L. Schultze took office as Chairman of the Council on January 22, 1977, replacing Alan Greenspan, who returned to Townsend-Greenspan, New York. Mr. Schultze had been a senior fellow at the Brookings Institution in Washington, D.C.

Lyle E. Gramley and William D. Nordhaus became Members on March 18, 1977, succeeding Burton G. Malkiel, who returned to Princeton University. Mr. Gramley came to the Council from the Board of Governors of the Federal Reserve System. Mr. Nordhaus is on leave of absence from Yale University, where he is Professor of Economics and a member of the Cowles Foundation for Research in Economics.

RESPONSIBILITIES OF THE COUNCIL

The principal directive of the Employment Act is that the Federal Government "use all practicable means consistent with its needs and obligations . . . for the purpose of creating and maintaining . . . conditions . . . to promote maximum employment, production, and purchasing power."

To this end, the Council of Economic Advisers analyzes economic problems and interprets trends and changes in the economy in order to assist the President in the development and evaluation of national economic policies. The Council prepares regular reports on current economic conditions in the United States and abroad and prepares forecasts of

future economic developments. The Council also performs a direct advisory role both within the Executive Office of the President and through participation in interagency groups in which representatives of various departments, agencies, and offices in the executive branch evaluate economic problems and develop programs to address them.

During 1977, the Council and its staff contributed to the study of a wide variety of economic issues. An important part of the Council's work last year involved analyzing current developments in business activity, and evaluating alternative macroeconomic policies as a result of the President's efforts to continually assess his taxation and expenditure decisions within the context of long-run budgetary requirements. The Council also participated in the development of Administration initiatives such as welfare reform, social security financing proposals, the National Energy Plan, agricultural legislation, minimum wage legislation, urban policy proposals, and economic relations with our foreign trading partners.

The Council became actively involved in a variety of regulatory reform issues in cooperation with other Government agencies. Under the Regulatory Analysis Program authorized by the President in 1977, the Council established and chairs an interagency review group that is responsible for assessing analyses of the economic consequences of regulatory proposals that are prepared by regulatory agencies.

Early each year the President submits the Economic Report of the President to the Congress as required by the Employment Act. The Council assumes major responsibility for the preparation of the Report, which

together with the Annual Report of the Council of Economic Advisers reviews the progress of the economy during the preceding year and outlines the Administration's policies and programs.

The Chairman of the Council of Economic Advisers is a member of the Economic Policy Group and of its Executive Committee and Steering Group. The EPG was formed in January 1977 to direct the formulation and coordination of economic policy. The Steering Group meets weekly to address current issues of economic policy.

The Chairman also heads the U.S. delegation to the Economic Policy Committee of the Organization for Economic Cooperation and Development (OECD). Council Members and staff economists meet with various working parties of the committee and attend other meetings of the OECD during the year.

The review and analysis of the overall performance of the economy is conducted and coordinated through interagency working groups comprised of representatives from the Council, the Treasury, the Office of Management and Budget, and the Departments of Commerce and Labor. At regular intervals representatives of these agencies, chaired by the Council, evaluate recent economic performance and formulate economic forecasts. The analysis and projections thus developed are finally reviewed and cleared through the Chairman of the Council for presentation to and consideration by the Economic Policy Group and the President.

The Joint Economic Committee (JEC), like the Council, was created by the Employment Act of 1946 to make a continuing study of matters relating to the economy and to submit its own report and recommendations to the Congress. During 1977, the Chairman and Members of the Council appeared twice before the JEC and once before its subcommittee on International Economics. The Chairman and Council Members also presented testimony before the House Budget Committee; the House Appropriations Committee; the House Ways and Means Committee, and its Subcommittee on Trade; the House Committee on Banking, Finance, and Urban Affairs, and its subcommittee on Economic Stabilization; the House Ad Hoc Committee on Energy; the House Committee on Public Works and Transportation, and its Subcommittee on Investigations and Review; the House Appropriations Committee, Subcommittee on Treasury, Postal Services, and General Governmental Affairs; the House Committee on Interstate and Foreign Commerce, and its Subcommittee on Energy and Power; the Senate Budget Committee; the Senate Finance Committee; the Senate Appropriations Committee; the Senate Commerce Committee, and its Subcommittee on Aviation; and the Senate Committee on Banking, Housing, and Urban Affairs.

PUBLIC INFORMATION

The annual Economic Report of the President and the CEA Annual Report are the principal publications through which the Council informs the public of its work and its views. They also are an important vehicle for presenting and explaining the Administration's overall economic policy, both domestic and international. Distribution of Reports in recent years has averaged about 50,000 copies. The Council also assumes primary

responsibility for preparing Economic Indicators, a monthly publication prepared by the Council's Statistical Office. The Joint Economic Committee of Congress issues Economic Indicators, which has a monthly distribution of approximately 10,000 copies.

Information is also provided to the public through speeches and other public appearances by the Chairman, the Members, and the senior staff economists. Each year the Council answers numerous requests from the press and provides information in response to inquiries from individual citizens. In addition, the Council and staff receive frequent visits from business, academic, and other groups and individuals.

ORGANIZATION AND STAFF OF THE COUNCIL

OFFICE OF THE CHAIRMAN

The Chairman is responsible for communicating the Council's views to the President. This duty is performed through direct consultation with the President, and through written reports on economic developments and on particular programmatic issues. The Chairman represents the Council at meetings of the Cabinet and in many other formal and informal contacts with Government officials.

COUNCIL MEMBERS

The two Council Members are responsible for all subject matter covered by the Council, including direct supervision of the work of the professional staff. Members represent the Council at a wide variety of meetings and assume major responsibility for the Council's involvement in many activities.

In practice, the small size of the Council's staff permits the Chairman and Council Members to work as a team in most circumstances. There is, however, an informal division of subject matter between them. Mr. Gramley assumed primary responsibility in 1977 for macroeconomic analysis, including the preparation of economic forecasts. Mr. Nordhaus is primarily responsible for international economic analysis and for microeconomic analysis, including policy areas such as energy, agriculture, labor markets, social welfare, and regulated industries.

PROFESSIONAL STAFF

At the end of 1977 the professional staff consisted of the Special Assistant to the Chairman, 10 senior staff economists, 2 staff economists, 1 statistician, and 6 junior staff economists. Members of the professional staff were responsible for economic analysis and policy recommendations in major subject areas involving the Council's interests and responsibilities.

The professional staff and their special fields at the end of the year were:

Peter G. Gould Special Assistant to the Chairman

Senior Staff Economists

Roger E. Brinner	Business Conditions, Analysis, Econometrics, and Forecasting
Peter K. Clark	Macro and Microeconomic Analysis, Econometrics, Trade, and Prices and Wages
Nina W. Cornell	Regulated Industries, Transportation, Environmental, and Health and Safety Issues
George E. Johnson	Labor Policy, Human Resources, Welfare, and National Health Insurance

Susan J. Lepper	Monetary Policy, Financial Institutions, Capital Markets, Housing, and State and Local Finances.
David C. Munro	Business Conditions, Analysis, Econometrics, and Forecasting
J.B. Penn	Agriculture and Food Policy
Jeffrey R. Shafer	International Finance and Trade
William L. Springer	Fiscal Policy, Public Finance, Income Distribution, Human Resources, Welfare, and National Health Insurance
David A. Wyss	Macro and Microeconomic Analysis, Econometrics, Trade, Prices, and Wages

Statistician

Catherine H. Furlong Statistician

Staff Economists

Arthur E. Blakemore	Labor Markets
Robert E. Litan	Energy Analysis and Policy, Science and Technology, and Natural Resources

Junior Staff Economists

Michael S. Golden	Agriculture and Food Policy, Econometrics, and Forecasting
Howard K. Gruenspecht	Regulation, Monetary Developments, and Industry Analysis
Richard I. Kolsky	Regulation, Energy Policy, and Industry Analysis
Richard A. Koss	Econometrics and Forecasting
Julianne M. Malveaux	Labor Markets and Monetary Developments
Martha M. Parry	International Economics

Catherine H. Furlong, Statistician, is in charge of the Council's Statistical Office. Mrs. Furlong replaced Frances M. James who retired after 31 years of service as Senior Statistician for the Council. Mrs. Furlong has primary responsibility for managing the Council's statistical information system. She supervises the publication of Economic Indicators and the preparation of the statistical appendix to the Economic Report. She also

oversees the verification of statistics in memoranda, testimony, and speeches. Natalie V. Rentfro and Earnestine Reid assist Mrs. Furlong.

SUPPORTING STAFF

The Administrative Office provides administrative support for the Council. Nancy F. Skidmore, Administrative Officer, prepares and analyzes the budget, procures equipment and supplies, and provides general services. Duplicating, mail, and messenger services were provided by James W. Gatling and Frank C. Norman. Elizabeth A. Kaminski serves as Staff Assistant to the Council.

Serving on the secretarial staff for the Chairman and Council Members during 1977 were Patricia A. Lee, Linda A. Reilly, Florence T. Torrison, and Alice H. Williams. Secretaries for the professional staff were M. Catherine Fibich, Bessie M. Lafakis, Joyce A. Pilkerton, Margaret L. Snyder, and Lillie M. Sturniolo.

DEPARTURES

The Council's professional staff members are drawn primarily from universities and research institutions. Senior staff economists who resigned during the year were Barry P. Bosworth (Council on Wage and Price Stability), Barry R. Chiswick (Hoover Institute, Stanford University), John M. Davis, Jr. (Federal Reserve Bank of Cleveland), Bruce L. Gardner (Texas A&M University), Helen B. Junz (Department of the Treasury), Michael D. McCarthy (Wharton EFA, Inc., Philadelphia), John J. Siegfried (Vanderbilt University), John B. Taylor (Columbia University), and Philip K. Verleger, Jr. (Department of the Treasury). Doral S. Cooper,

staff economist, resigned to accept a position with the Special Representative for Trade Negotiations.

Junior economists who resigned in 1977 were Richard E. Browning (Georgetown University), Timothy H. Quinn (University of California, Los Angeles), Barbara A. Smith (Mathematica Policy Research, Inc., Washington), Paul C. Westcott (Department of Agriculture), and Benjamin Zycher (University of California, Los Angeles). Retired during the year were Dorothy Bagovich, Statistical Assistant, and Dorothy L. Green, secretary. Margaret A. Bocek, secretary, resigned from the Council staff.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

December 30, 1977

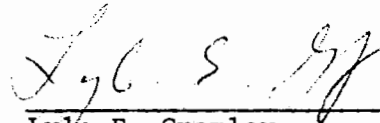
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The Joint Economic Committee (JEC), like the Council, was created by the Employment Act of 1946 to make a continuing study of matters relating to the economy and to submit its own report and recommendations to the Congress. During 1977, the Chairman and Members of the Council appeared twice before the JEC and once before its subcommittee on International Economics. The Chairman and Council Members also presented testimony before the House Budget Committee; the House Appropriations Committee; the House Ways and Means Committee, and its Subcommittee on Trade; the House Committee on Banking, Finance, and Urban Affairs, and its subcommittee on Economic Stabilization; the House Ad Hoc Committee on Energy; the House Committee on Public Works and Transportation, and its Subcommittee on Investigations and Review; the House Appropriations Committee, Subcommittee on Treasury, Postal Services, and General Governmental Affairs; the House Committee on Interstate and Foreign Commerce, and its Subcommittee on Energy and Power; the Senate Budget Committee; the Senate Finance Committee; the Senate Appropriations Committee; the Senate Commerce Committee, and its Subcommittee on Aviation; and the Senate Committee on Banking, Housing, and Urban Affairs.

PUBLIC INFORMATION

The annual Economic Report of the President and the CEA Annual Report are the principal publications through which the Council informs the public of its work and its views. They also are an important vehicle for presenting and explaining the Administration's overall economic policy, both domestic and international. Distribution of Reports in recent years has averaged about 50,000 copies. The Council also assumes primary

responsibility for preparing Economic Indicators, a monthly publication prepared by the Council's Statistical Office. The Joint Economic Committee of Congress issues Economic Indicators, which has a monthly distribution of approximately 10,000 copies.

Information is also provided to the public through speeches and other public appearances by the Chairman, the Members, and the senior staff economists. Each year the Council answers numerous requests from the press and provides information in response to inquiries from individual citizens. In addition, the Council and staff receive frequent visits from business, academic, and other groups and individuals.

ORGANIZATION AND STAFF OF THE COUNCIL

OFFICE OF THE CHAIRMAN

The Chairman is responsible for communicating the Council's views to the President. This duty is performed through direct consultation with the President, and through written reports on economic developments and on particular programmatic issues. The Chairman represents the Council at meetings of the Cabinet and in many other formal and informal contacts with Government officials.

COUNCIL MEMBERS

The two Council Members are responsible for all subject matter covered by the Council, including direct supervision of the work of the professional staff. Members represent the Council at a wide variety of meetings and assume major responsibility for the Council's involvement in many activities.

In practice, the small size of the Council's staff permits the Chairman and Council Members to work as a team in most circumstances. There is, however, an informal division of subject matter between them. Mr. Gramley assumed primary responsibility in 1977 for macroeconomic analysis, including the preparation of economic forecasts. Mr. Nordhaus is primarily responsible for international economic analysis and for microeconomic analysis, including policy areas such as energy, agriculture, labor markets, social welfare, and regulated industries.

PROFESSIONAL STAFF

At the end of 1977 the professional staff consisted of the Special Assistant to the Chairman, 10 senior staff economists, 2 staff economists, 1 statistician, and 6 junior staff economists. Members of the professional staff were responsible for economic analysis and policy recommendations in major subject areas involving the Council's interests and responsibilities.

The professional staff and their special fields at the end of the year were:

Peter G. Gould Special Assistant to the Chairman

Senior Staff Economists

Roger E. Brinner	Business Conditions, Analysis, Econometrics, and Forecasting
Peter K. Clark	Macro and Microeconomic Analysis, Econometrics, Trade, and Prices and Wages
Nina W. Cornell	Regulated Industries, Transportation, Environmental, and Health and Safety Issues
George E. Johnson	Labor Policy, Human Resources, Welfare, and National Health Insurance

Susan J. Lepper	Monetary Policy, Financial Institutions, Capital Markets, Housing, and State and Local Finances.
David C. Munro	Business Conditions, Analysis, Econometrics, and Forecasting
J.B. Penn	Agriculture and Food Policy
Jeffrey R. Shafer	International Finance and Trade
William L. Springer	Fiscal Policy, Public Finance, Income Distribution, Human Resources, Welfare, and National Health Insurance
David A. Wyss	Macro and Microeconomic Analysis, Econometrics, Trade, Prices, and Wages

Statistician

Catherine H. Furlong Statistician

Staff Economists

Arthur E. Blakemore	Labor Markets
Robert E. Litan	Energy Analysis and Policy, Science and Technology, and Natural Resources

Junior Staff Economists

Michael S. Golden	Agriculture and Food Policy, Econometrics, and Forecasting
Howard K. Gruenspecht	Regulation, Monetary Developments, and Industry Analysis
Richard I. Kolsky	Regulation, Energy Policy, and Industry Analysis
Richard A. Koss	Econometrics and Forecasting
Julianne M. Malveaux	Labor Markets and Monetary Developments
Martha M. Parry	International Economics

Catherine H. Furlong, Statistician, is in charge of the Council's Statistical Office. Mrs. Furlong replaced Frances M. James who retired after 31 years of service as Senior Statistician for the Council. Mrs. Furlong has primary responsibility for managing the Council's statistical information system. She supervises the publication of Economic Indicators and the preparation of the statistical appendix to the Economic Report. She also

oversees the verification of statistics in memoranda, testimony, and speeches. Natalie V. Rentfro and Earnestine Reid assist Mrs. Furlong.

SUPPORTING STAFF

The Administrative Office provides administrative support for the Council. Nancy F. Skidmore, Administrative Officer, prepares and analyzes the budget, procures equipment and supplies, and provides general services. Duplicating, mail, and messenger services were provided by James W. Gatling and Frank C. Norman. Elizabeth A. Kaminski serves as Staff Assistant to the Council.

Serving on the secretarial staff for the Chairman and Council Members during 1977 were Patricia A. Lee, Linda A. Reilly, Florence T. Torrison, and Alice H. Williams. Secretaries for the professional staff were M. Catherine Fibich, Bessie M. Lafakis, Joyce A. Pilkerton, Margaret L. Snyder, and Lillie M. Sturniolo.

DEPARTURES

The Council's professional staff members are drawn primarily from universities and research institutions. Senior staff economists who resigned during the year were Barry P. Bosworth (Council on Wage and Price Stability), Barry R. Chiswick (Hoover Institute, Stanford University), John M. Davis, Jr. (Federal Reserve Bank of Cleveland), Bruce L. Gardner (Texas A&M University), Helen B. Junz (Department of the Treasury), Michael D. McCarthy (Wharton EFA, Inc., Philadelphia), John J. Siegfried (Vanderbilt University), John B. Taylor (Columbia University), and Philip K. Verleger, Jr. (Department of the Treasury). Doral S. Cooper,

staff economist, resigned to accept a position with the Special Representative for Trade Negotiations.

Junior economists who resigned in 1977 were Richard E. Browning (Georgetown University), Timothy H. Quinn (University of California, Los Angeles), Barbara A. Smith (Mathematica Policy Research, Inc., Washington), Paul C. Westcott (Department of Agriculture), and Benjamin Zycher (University of California, Los Angeles). Retired during the year were Dorothy Bagovich, Statistical Assistant, and Dorothy L. Green, secretary. Margaret A. Bocek, secretary, resigned from the Council staff.

THE WHITE HOUSE

WASHINGTON

January 4, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Bob Lipshutz

GL

On Wednesday of this week Irving Shapiro telephoned me to express his chagrin at the attached article which has just been published in "Fortune" magazine.

He was most concerned at what he considers to be a very incorrect interpretation of statements made by him, attributing to him an opinion that "the Administration has a bias against business". He assures me that this does not represent his thinking nor does it properly reflect statements made by him to the reporter for "Fortune" magazine. Irv Shapiro is writing you a personal letter relative to this matter.

Incidentally, he also states that he does not believe the article correctly reflects the point of view of either Reg Jones or Walt Riston, but that of course they will have to speak for themselves.

cc: The Vice President
Stu Eizenstat
Charles Schultze
Hamilton Jordan



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INCORPORATED

WILMINGTON, DELAWARE 19898

CHAIRMAN OF THE BOARD

January 4, 1978

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

The current issue of FORTUNE magazine carries some comments from me and attributes certain judgments to me about your Presidency.

I write simply to advise you that despite our different views on some issues (such as the proposals relating to the Consumer Advocacy Agency, "triple martini luncheons," foreign tax deferral and some parts of the energy bill), I have a very positive view of your Presidency.

Some of us have encouraged more discourse between you and industry and there has been progress in this area. The White House meeting and your subsequent participation in the Business Council meeting were major steps in the right direction. As you know, there has been strong support in industry for your nomination of Bill Miller.

I cannot control what gets written by others, but I do want you to know that you have my support and admiration both for the good start made in 1977 and for the encouraging future that is available to the nation if all of us work together in the national interest.

Sincerely,

Irving S. Shapiro

ISS:mvb

→ cc: Robert J. Lipshutz
Special Counsel to the President

FORTUNE

January 16, 1978

It's a long, long while from May to December," goes a song from the 1930's. The words refer to romance, but as the Carter Administration has learned, they also apply to tax reform. What went on during that span of 1977 was a back-and-forth battle for the mind of Jimmy Carter. Pushing him toward radical tax reform were his own populist attitudes, reinforced by campaign promises to get rid of the blots that made the nation's tax system "a disgrace to the human race." On the other side were various voices calling for straightforward tax cuts to help the economy—and warning that talk of radical reforms was damaging business confidence.

After much wobbling on the part of the President, it now appears that the battle has been won by the forces of economic and political realism. Instead of drastic changes in the tax code, we will get tax cuts garnished with reforms. But the net cuts won't do much to lighten the tax burdens weighing upon the economy.

A lot of the pressure that moved Jimmy Carter away from reform and toward tax reduction came from the business community. Many businessmen were deeply concerned at the prospect of some of the tax revisions the White House talked about, especially removal of preferential treatment for capital gains. Carter, to be sure, did not often listen personally to what businessmen were saying, but he could not escape the evidence that the reform talk was impairing confidence. What's more, the business viewpoint on grand-scale reforms came at Carter through members of Congress, who also had their own reasons for wanting to see tax reform set aside. And, very important in tipping the balance, business opposition to the President's reform notions brought on the defection of his own Secretary of the Treasury, W. Michael Blumenthal.

Blumenthal, himself a sometime member of the business community, underwent a gradual change of heart. Beginning without a deep understanding of tax matters, he at first went along with most of the reform ideas that were presented to him. But he had some philosophic doubts about, for example, proposals that would increase the progressivity of the personal income tax. His doubts increased as he became aware of congressional distaste for major reform and, even more, the concern of the business community. After the departure of Bert Lance, who had served as the Carter Administration's principal link to business, the voices of concern converged more intensely on Blumenthal, and before long it became obvious that he was getting off the tax-reform train.

Even with all the pressures to set drastic reform aside

and go for tax reduction, the President resisted dropping those campaign promises to overhaul the tax system. His resistance was buttressed by his inner circle of Georgians, particularly Stuart Eizenstat, assistant to the President for domestic affairs and policy. A lawyer by training, Eizenstat served as Carter's issues man during the gubernatorial and presidential campaigns. Aside from any ideological commitment to tax reform, he maintains that reneging on reform would be politically damaging to the President. But while there might be some political costs in turning away from reform, seriously disruptive changes in the tax code would also be costly.

The question of how far to retreat on tax reform became an extremely sensitive issue in the Administration, as Blumenthal learned. In November he told the Senate Banking Committee that in his view the first priority should be "providing tax relief for individuals and some real incentives for business." The White House was unmistakably annoyed. Press secretary Jody Powell, in what seemed to be a deliberate put-down, said Blumenthal was only expressing "his personal thoughts on the matter."

Carter's own thoughts on the matter seemed to shift from one vague pronouncement to the next, but it gradually became clear that he would have to give up any hope of grand-scale tax reform in 1978. The retreat was forced on him by a combination of political realities and economic developments. Even apart from the opposition of the business community, Congress became more and more unfriendly to large-scale reforms. Congressional thoughts were already beginning to turn to the 1978 elections. What's more, the Senate and House tax committees developed a case of legislative indigestion. While Carter's energy, welfare, and Social Security programs, all of which involve major tax changes, were still being debated, they had little stomach to take on sweeping tax reform. Even staunch tax reformers like Representative Abner Mikva of Illinois, who in 1976 fought unsuccessfully for many of the reforms Carter supports, has lost his taste for the battle. "We've got to stop tinkering with the tax code," he says.

The congressional attitude is shaped in no small part by a wariness of getting out on a limb with a President who has proved inconstant. The Administration's tendency to shift positions suddenly in response to political pressure has unsettled Congressmen like Robert Giaimo of Connecticut, chairman of the House Budget Committee. Having been personally burned when Carter switched his position first on the \$50 tax rebate and later on the farm program,

Research associate: Ann M. Morrison



A tiger for tax reform in the White House is presidential assistant Stuart Eizenstat, head of the domestic policy staff. He has advised the President to hang tough on reforms.



In working on the Administration's tax plans, Carter's chief economist, Charles Schultze, has sought to walk a "fine line," as he puts it, between too little stimulus and too much.



At some point along the line, Treasury Secretary Michael Blumenthal decided to get off the reform train. Congressional wariness and business concern led to his change of heart.

Giaimo today is reluctant to make common cause with him on so politically sensitive a matter as tax legislation.

On the House Ways and Means Committee, there is a feeling that the Administration tends to propose controversial legislation, then sit back and do nothing when it runs into attack. As a committee staff man puts it: "Carter's people come up and present their bills. But when the TV lights go out in the committee room, they go back to their castles downtown and think about something else."

Poor liaison on the part of the executive departments and the White House staff is part of the problem. But senior Congressmen also complain that the President has no clearly defined economic strategy. The chairman of the Joint Economic Committee, Representative Richard Bolling of Missouri, is particularly outspoken. "The President," he says, echoing a complaint voiced by many businessmen, "lacks a total overall perspective of the problems he faces. He doesn't understand the power structure of the Congress or the interrelationship of economic issues."

In October, Representative Al Ullman of Oregon, chairman of the House Ways and Means Committee, had a long telephone conversation with the President about tax-reform prospects. Ullman told him that the range of tax issues he was considering was too controversial to be moved through Congress in an election year. The centerpiece proposal to end preferential treatment for capital gains had by itself

aroused enough opposition to bog down any tax program.

Limit your proposals, Ullman advised the President, to a few high-priority reforms with some chance of passage. The crucial tax issue is not reform but stimulation of the economy, and particularly lagging business investment. As for reforms, you have three and possibly seven more years in which to present them. So don't hurry things. Carter received similar advice from Senator Russell Long, chairman of the Finance Committee, from Senate Majority Leader Robert Byrd, and from Speaker Tip O'Neill.

The uncertain state of the economy also worked against grand-scale tax reform. Between summer and late fall, Charles Schultze, chairman of the Council of Economic Advisers, became more pessimistic. In preparing various scenarios for 1978, Schultze and his staff last summer worried about rising interest rates, sluggish business investment, and the tendency of consumers to save instead of spend. These concerns, among others, caused Schultze to conclude that the dangers just might be on the downside.

In the fall, he came to feel that the dangers were clear and present, and that, along with everything else, the tax burden on the economy would make it "impossible to get decent economic growth." By November, he was telling people it would be necessary to reduce individuals' effective tax rates in 1978 or 1979.

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Dealing with the Administration has been an eye-opener for Irving Shapiro, chief executive of Du Pont. He has come to believe that Jimmy Carter has a bias against Big Business.



Who speaks for President Carter on economic policy? Among those who ask is Walter Wriston, chairman of Citicorp. It bothers him that nobody seems to be performing that role.



Reginald Jones, chairman of G.E., faults the Administration for failing to link up its various tax proposals—on energy, Social Security, and tax reform—in a coherent manner.

The question of when the tax-cut stimulus will be needed is an important strategic consideration. If the tax cuts could wait for a year, the Administration could afford to battle for tough reform. If not, its maneuvering time is limited. Schultze admits he is not sure whether the economy will need a lift in late 1978 or sometime in 1979. He speaks of the "fine line" that has to be drawn between too much and too little stimulus. "We don't want to overdo it," he says. "We want to avoid commitments that will make it impossible to balance the budget in 1980-81."

Aside from the erratic course of the economy, Schultze or any other economist trying to look ahead in late 1977 faced major uncertainties connected with Administration proposals. Sharply higher taxes for financing Social Security will have powerful economic impact. So will Carter's energy program, with its tax on crude-oil production. And the welfare-reform program includes tax credits amounting to billions of dollars a year.

Uncertainties about the final form of these measures make it impossible to get a fix on the fiscal consequences. Social Security taxes, not including the \$5.8 billion increase that has already been legislated for 1978, will rise an additional \$6.4 billion in 1979 and \$9.4 billion in 1980. A computer analysis done by Data Resources, Inc. indicated that the energy legislation, depending on whether the House or the Senate version survived, could by 1980

raise the federal tax take by anywhere from \$3.3 billion to \$10.8 billion.

In any event it was obvious that on balance these measures would substantially increase the tax load on the economy. The swing in the Social Security accounts alone, from a deficit of about \$5.1 billion this year to a surplus of \$13.9 billion by 1981, will produce growing fiscal restraint in the next several years, the Data Resources analysis shows. The additional restraint would have to be offset by tax reductions or by increases in federal spending.

While Keynesians such as Charles Schultze have been thinking in terms of how much tax-cut stimulus the economy will "need" in 1978 or 1979, much bolder thoughts on tax reduction have been issuing from men generally considered to be conservatives. Arthur Burns, chairman of the Federal Reserve Board, has called for broad tax cuts for both individuals and businesses, along the lines of the Kennedy Administration cuts in the 1960's. Burns is concerned not with short-run fiscal adjustments but with something much more basic, lifting some of the tax load off the economy's back. He has not put a dollar figure on the tax reduction he would like to see, but in proportion to the size of the economy, it would take cuts amounting to something like \$50 billion to match the Kennedy cuts.

Bolder still is the proposal put forward by Republican

How Top Business Executives View Carter

Does Jimmy Carter harbor a secret bias against Big Business? Top executives of some large U.S. companies have come to believe so in the course of working with the Administration on tax legislation.

Irving Shapiro, the chairman of E.I. du Pont de Nemours, thinks Carter does have an innate distrust of the men who run the nation's largest corporations. And that bothers Shapiro, both as a corporate executive and as chairman of the Business Roundtable, whose members are the chief executives of 180 large companies.

A sophisticated man and a political moderate, Shapiro perceives this attitude in Carter's constant use of certain antibusiness-code terms. One such term is "three-martini lunch," the elimination of which Carter has used as the flag standard of tax reform. Some read social or religious prejudice in the phrase. As Shapiro views it, Carter's insistent emphasis on the three-martini lunch reflects "something in his thinking that business is an evil force." This prejudice, Shapiro believes, is part of the President's background as a small-town businessman. "It may reflect Plains, what he's read, and his lack of contact with major business."

Carter's bias comes out in other ways, too. Men like Shapiro are used to rubbing shoulders with Presidents Ford, Nixon, Johnson—even Kennedy—enterained them in the White House, knew their names and something about their companies. Compared to that easy social ambience (especially with Ford), meeting with Carter is a matter of forcing their way in. When they do, Shapiro says, business men find Carter uncomfortable and

uncertain about "who these guys are."

Within the White House such complaints are viewed as the normal business unhappiness that occurs when a Democratic President replaces a Republican. "Maybe it's just a matter of more hand-holding being needed," says Charles Schultze, the chairman of the Council of Economic Advisers. "We probably should—and will—do more of that."

Stuart Eizenstat, the increasingly influential assistant for domestic policy, rejects the idea that there is any communications breakdown between business and the Oval Office. As evidence, he cites his monthly meeting with the staff of the Business Roundtable and the National Association of Manufacturers to explain in detail what the President plans for the following thirty days or so. "I'll bet they've never had an Administration more open in terms of legislation," Eizenstat says.

Walter Wriston, chairman of Citicorp, admits that there is dialogue. "Stu talks to us. So does Juanita (Kreps), Mike (Blumenthal), and Charlie (Schultze). So they wonder, 'Why don't you love me when we invite you to the dance every day?'"

What's missing, Wriston thinks, is a coherent plan. "We—and the markets—want a logical, consistent strategy. Not conversations about pieces of a plan. So the dialogue has broken down. They believe they've told us what we want to hear. But the markets say not."

Some of the country's top managers think Carter's management of the presidency is deeply flawed. The compulsive desire to make all the decisions himself, Shapiro believes, is out of keeping with the

demands of the modern presidency. Another flaw is Carter's failure to delegate. For instance, there is no economic spokesman for the Administration. In recent years, that role has usually been filled by the Secretary of the Treasury. Today the message is just as likely to come from press secretary Jody Powell or Secretary of Commerce Kreps. As Shapiro puts it, "You can't be sure who speaks for the Administration. That is one of the needs."

Amid all this uncertainty, businessmen badly want to know what the bottom line is on all those Carter proposals. Says Reginald Jones, chairman of General Electric and of the Roundtable's task force on taxes: "We see them tackle Social Security; we see them tackle energy, tax reform. All these are approached in isolation."

Carter has responded to this line of criticism by promising to spell out where he wants to take the economy—and how he expects to get there. And lately he made what seemed to be a conciliatory gesture on the social side. Last year, members of the Business Council felt snubbed when at the last minute Carter turned down a long-standing invitation to dine with them and then went to the theater that evening. Just recently, after weeks of effort on the part of John deButts, chairman of A.T.&T. and of the Business Council, Carter did show up at a council gathering held at Washington's Mayflower hotel. He did not stay to dine, and it was hardly an intimate session, what with the press on hand, but he got there. In his thirty-minute address, he said he would try to foster "business confidence" in his Administration. At least it was a start.

Congressman Jack Kemp of New York. He has picked up 142 co-sponsors in the House for a plan to slash income-tax rates across the board by an average of 33 percent—and without any demand for offsetting cuts in expenditures. Kemp's plan would cut taxes by a hefty \$82 billion. He argues that the economic revitalization resulting from deep tax cuts would expand the tax base enough to make up the revenue loss within a few years.

The actual tax cut enacted in 1978 will certainly be a lot smaller than the reduction Burns or Kemp is calling for. The proposals that Secretary Blumenthal recently presented to the President called for cuts ranging from \$20 billion to \$30 billion, with the high end including some reductions in fed-

eral excise taxes. In the traditional pattern, the total cut in income taxes will probably be split about two-thirds for individuals, one-third for corporations.

The cut in individual income taxes will not really constitute much of a net tax reduction. It will do little more than offset tax increases: the nearly \$3-billion rise in individuals' Social Security taxes that takes effect this month and the non-legislated tax increases that result from inflation. With inflation puffing up wages and salaries, taxpayers are pushed into higher tax brackets even when their real incomes go up little or not at all. Estimates of what these non-legislated tax hikes amount to currently run as high as \$10 billion a year.

As a consequence of the inflation effect, the income tax

continued

swallows a larger proportion of total personal income year by year if tax rates are not reduced. Experience indicates that taxpayer unhappiness intensifies when the bite exceeds 11 percent of personal income. Since this level has already been passed—income taxes came to 13 percent of personal income last year—Carter was advised by the Treasury tax staff that if he did not propose personal tax cuts Congress would cut anyway.

Any cut in income taxes, of course, involves decisions about which brackets get how much relief. The Treasury has recommended that cuts be extended to all classes of taxpayers up to about \$100,000, but with the relief concentrated in the lower and middle brackets, under \$30,000 a year. In other words, punitive rates on large incomes would be cut little or not at all, and the steeply progressive income-tax structure would become a bit more so.

The corporate tax relief will be aimed at spurring business investment, which has been a main disappointment in the thirty-month-old economic recovery. Reginald Jones, chairman of General Electric Co., got an inside view of the prospects in his role as chairman of the Business Roundtable's task force on taxation, which has been in continuing contact with Congress, the Treasury, and the White House during the past year. Jones expects tax relief of around \$7 billion for business, with perhaps \$5.5 billion in the form of lower corporate rates. If that proved to be correct, it would mean lowering the corporate rate by five points—from 48 to 43 percent. The remaining \$1.5 billion would come from sweetening the investment tax credit. Besides making the current 10 percent investment credit permanent, Jones hopes the President will:

- ¶ Make it applicable to buildings (as well as equipment);
- ¶ Make it applicable to 90 percent of a company's tax liability (instead of only 50 percent, as now);
- ¶ Extend the full investment credit to pollution-abatement facilities (rather than only half of it).

The Treasury has agreed with the investment-credit revisions Jones and the Business Roundtable want. But both the Treasury and the Council of Economic Advisers advocated a smaller reduction in the corporate tax rate than Jones does. The Treasury favored a two-point reduction, and the CEA three points.

With the Washington climate so averse to grand-scale reform, Carter had to decide what to do about all those tax-reform promises he made. Just to save political face, as the White House sees it, he has to present a plateful of revisions that can be called reforms. But the really

big changes he talked about won't be included. The heart of his reform package was elimination of tax preference for capital gains, which, in turn, was linked to reduction of the double taxation of dividends. Dropping the capital-gains proposal, in the judgment of Treasury experts, dooms any major measure to deal with double taxation.

The one reform item that Carter seemed adamant about was his pledge to crack down on those three-martini lunches—a code term for business entertainment. When told that Congress would probably not pass any drastic tightening up, and that in any event the reform didn't represent much revenue, the President said, "I don't care whether it brings in revenue or not—it's wrong." To satisfy him, the Treasury has worked up some tough proposals. Among the options presented to Carter:

- ¶ Business-meal deductions would be limited to 50 percent of the costs (or to \$5 per person under another proposal).
- ¶ Entertainment deductions for yachts, hunting lodges, club dues, and the like would be disallowed.
- ¶ So would business entertainment at the theater, football games, or golf courses.
- ¶ Businessmen could no longer deduct first-class air travel—only coach or economy-class fares.

But as Carter has found, there is no such thing as a non-controversial tax reform. The business-entertainment proposals have already stirred up opposition not only from business groups but also from restaurant and hotel operators and their employees. A proposal to ban deductions for business meetings held abroad has raised howls from the governments of Mexico, Canada, and Caribbean nations that are heavily dependent on such business meetings for their economic well-being.

Even if he still wanted to, Carter probably couldn't get more than a token tax-reform package enacted. To do that he would have to not only overcome congressional distaste but also develop a consensus within his own Cabinet in favor of his proposals. The defection of his Secretary of the Treasury is a major problem—Blumenthal's lack of enthusiasm will encourage congressional opposition.

Whatever the outcome this time, however, it will not be the final chapter in the story. Carter the tax reformer undoubtedly lives on. Not long ago Congressman Ullman said to the President that he must be getting very hard-line advice on reforms from his inner circle of Georgians. The President replied that he, not his staff, was the hard-liner. And then, his voice steely, he added, "Nobody is going to say that Jimmy Carter held back on tax reform." ■

Past Council Members and their dates of service are listed below

<u>Name</u>	<u>Position</u>	<u>Oath of office date</u>	<u>Separation date</u>
Edwin G. Nourse	Chairman	August 9, 1946	November 1, 1949.
Leon H. Keyserling	Vice Chairman	August 9, 1946	
	Acting Chairman	November 2, 1949	
	Chairman	May 10, 1950	January 20, 1953.
John D. Clark	Member	August 9, 1946	
	Vice Chairman	May 10, 1950	February 11, 1953.
Roy Blough	Member	June 29, 1950	August 20, 1952.
Robert C. Turner	Member	September 8, 1952	January 20, 1953.
Arthur F. Burns	Chairman	March 19, 1953	December 1, 1956.
Neil H. Jacoby	Member	September 15, 1953	February 9, 1955.
Walter W. Stewart	Member	December 2, 1953	April 29, 1955.
Raymond J. Saulnier	Member	April 4, 1955	
	Chairman	December 3, 1956	January 20, 1961.
Joseph S. Davis	Member	May 2, 1955	October 31, 1958.
Paul W. McCracken	Member	December 3, 1956	January 31, 1959.
Carl Brandt	Member	November 1, 1958	January 20, 1961.
Henry C. Wallich	Member	May 7, 1959	January 20, 1961.
Walter W. Heller	Chairman	January 29, 1961	November 15, 1964.
James Tobin	Member	January 29, 1961	July 31, 1962.
Hermit Gordon	Member	January 29, 1961	December 27, 1962.
Gardner Ackley	Member	August 3, 1962	
	Chairman	November 16, 1964	February 15, 1968.
John P. Lewis	Member	May 17, 1963	August 31, 1964.
Otto Eckstein	Member	September 2, 1964	February 1, 1966.
Arthur M. Okun	Member	November 16, 1964	
	Chairman	February 15, 1968	January 20, 1969.
James S. Duesenberry	Member	February 2, 1966	June 30, 1968.
Horton J. Peck	Member	February 15, 1968	January 20, 1969.
Warren L. Smith	Member	July 1, 1968	January 20, 1969.
Paul W. McCracken	Chairman	February 4, 1969	December 31, 1971.
Hendrik S. Houthakker	Member	February 4, 1969	July 15, 1971.
Herbert Stein	Member	February 4, 1969	
	Chairman	January 1, 1972	August 31, 1974
Ezra Solomon	Member	September 9, 1971	March 26, 1973.
Marina v.N. Whitman	Member	March 13, 1972	August 15, 1973.
Gary L. Seevers	Member	July 23, 1973	April 15, 1975.
William J. Fellner	Member	October 31, 1973	February 25, 1975.
Alan Greenspan	Chairman	September 4, 1974	January 20, 1977.
Paul W. MacAvoy	Member	June 13, 1975	November 15, 1976.
Burton G. Malkiel	Member	July 22, 1975	January 20, 1977.

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<u>Name</u>	<u>Position</u>	<u>Oath of office date</u>	<u>Separation date</u>
Edwin G. Nourse	Chairman	August 9, 1946	November 1, 1949.
Leon H. Keyserling	Vice Chairman	August 9, 1946	
	Acting Chairman	November 2, 1949	
	Chairman	May 10, 1950	January 20, 1953.
John D. Clark	Member	August 9, 1946	
	Vice Chairman	May 10, 1950	February 11, 1953.
Roy Blough	Member	June 29, 1950	August 20, 1952.
Robert C. Turner	Member	September 8, 1952	January 20, 1953.
Arthur F. Burns	Chairman	March 19, 1953	December 1, 1956.
Neil H. Jacoby	Member	September 15, 1953	February 9, 1955.
Walter W. Stewart	Member	December 2, 1953	April 29, 1955.
Raymond J. Saulnier	Member	April 4, 1955	
	Chairman	December 3, 1956	January 20, 1961.
Joseph S. Davis	Member	May 2, 1955	October 31, 1958.
Paul W. McCracken	Member	December 3, 1956	January 31, 1959.
Karl Brandt	Member	November 1, 1958	January 20, 1961.
Henry C. Wallich	Member	May 7, 1959	January 20, 1961.
Walter W. Heller	Chairman	January 29, 1961	November 15, 1964.
James Tobin	Member	January 29, 1961	July 31, 1962.
Kermit Gordon	Member	January 29, 1961	December 27, 1962.
Gardner Ackley	Member	August 3, 1962	
	Chairman	November 16, 1964	February 15, 1968.
John P. Lewis	Member	May 17, 1963	August 31, 1964.
Otto Eckstein	Member	September 2, 1964	February 1, 1966.
Arthur M. Okun	Member	November 16, 1964	
	Chairman	February 15, 1968	January 20, 1969.
James S. Duesenberry	Member	February 2, 1966	June 30, 1968.
Merton J. Peck	Member	February 15, 1968	January 20, 1969.
Warren L. Smith	Member	July 1, 1968	January 20, 1969.
Paul W. McCracken	Chairman	February 4, 1969	December 31, 1971.
Hendrik S. Houthakker	Member	February 4, 1969	July 15, 1971.
Herbert Stein	Member	February 4, 1969	
	Chairman	January 1, 1972	August 31, 1974
Ezra Solomon	Member	September 9, 1971	March 26, 1973.
Marina v.N. Whitman	Member	March 13, 1972	August 15, 1973.
Gary L. Seevers	Member	July 23, 1973	April 15, 1975.
William J. Fellner	Member	October 31, 1973	February 25, 1975.
Alan Greenspan	Chairman	September 4, 1974	January 20, 1977.
Paul W. MacAvoy	Member	June 13, 1975	November 15, 1976.
Burton G. Malkiel	Member	July 22, 1975	January 20, 1977.

780023

THE WHITE HOUSE
WASHINGTON
January 9, 1978

Stu Eizenstat

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

RE: COMMUNICATION FOR SEC.
CALIFANO -- Building for
National Inst. for Child
Health and Human Development

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
	X	EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

December 28, 1977

*Stu - I
told Jim. 7/1 for '79.
Maybe for '80 if need
can be proven to me.
I don't need/want a
1/1/79 as a memorial
Stu J*

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT

SUBJECT:

Communication from Secretary Califano

Secretary Califano called me tonight and asked if you had made a decision on the authorization for the construction of the building for the National Institute for Child Health and Human Development. He indicated that this would be a visible symbol of your commitment to seek alternatives to abortion. He stated that he had talked to you about it and you stated that you would look at the matter again. I indicated that I did not know your views on this matter and that it had not come up at the budget meeting we had earlier today.

I will be glad to pass along your recommendations. The Secretary stated that the building would cost roughly \$37 million, with \$2 million in outlays for fiscal year 1979.

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THE PRESIDENT HAS SEEN.

780026

THE WHITE HOUSE

WASHINGTON

January 6, 1978

C
/

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER 

SUBJECT: Weekly Comment Office Report (Per Your Request)

<u>CURRENT ISSUES</u>	<u>PRO</u>	<u>CON</u>	<u>TOTAL</u>
President's Position re: Crown of St. Stephen	-	100%	498
President's Decision re: Braniff Airways to serve Dallas-London route instead of Pan Am	-	100%	446
President's Trip	23%	77%	421
Misinterpretation of President's Speech in Poland	-	100%	212
Gun Control Bill	37%	63%	91
Panama Canal Treaties	46%	54%	72
Unclassified			<u>30</u>
			1,770
<u>AGENCY REFERRALS</u>			
Social Security			53
Veteran's Administration			43
Defense Department			12
Other			<u>86</u>
			194
<u>MISCELLANEOUS</u>			
Non-Substantive			54
White House Requests			<u>42</u>
			<u>96</u>
GRAND TOTAL			2,060

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 6, 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER *HC*SUBJECT: Weekly Mail Report (Per Your Request)

Below are statistics on Presidential and First Family:

<u>INCOMING</u>	<u>WEEK ENDING 12/30</u>	<u>WEEK ENDING 1/6</u>
Presidential	19,960	22,975
First Lady	4,380	1,735
Amy	670	635
<u>Other First Family</u>	<u>65</u>	<u>35</u>
TOTAL	25,075	25,380

BACKLOG

Presidential	8,050	4,190
First Lady	1,250	140
Amy	0	0
<u>Other</u>	<u>0</u>	<u>0</u>
TOTAL	9,300	4,330

DISTRIBUTION OF PRESIDENTIAL MAIL ANALYZED

Agency Referrals	9%	8%
WH Correspondence	50%	55%
Direct File	26%	21%
White House Staff	5%	4%
<u>Other</u>	<u>10%</u>	<u>12%</u>
TOTAL	100%	100%

NOT INCLUDED ABOVE

Form Letters and Post Cards	3,498	9,929
Mail Addressed to White House Staff	9,410	11,588

cc: Senior Staff

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MAJOR ISSUES IN
CURRENT PRESIDENTIAL ADULT MAIL
Week Ending 1/6/78

ISSUES	PRO	CON	COMMENT ONLY	NUMBER OF LETTERS
Support for Tougher Restrictions on Steel Imports	100%	0	0	3,959
Increased Federal Funding for Farmers	100%	0	0	490
Support for Returning the Crown of St. Stephen to Hungary	1%	99%	0	447
Support for President's 12/28/77 TV Broadcast with Network Correspondents	92%	7%	1%	259
Support for National Health Care, Kennedy-Corman Bill, S.3, H.R.21	93%	0	7%	176
Suggestions Re: Middle East Peace (1)	0	0	100%	167
Suggestions Re: Tax Reform Package	0	0	100%	144
Support for Panama Canal Treaties	8%	91%	1%	140
Support for U.S. Aid to Alleviate World Hunger	100%	0	0	137
Support for Tuition Relief Tax Credit	99%	1%	0	133
			TOTAL	6,052

(See Note Attached)

NOTE TO MAJOR ISSUE TALLY

Week Ending 1/6/78

(1) SUGGESTIONS REGARDING MIDDLE EAST PEACE

Comments and suggestions regarding peace vary from day to day as each new development receives publicity. Incoming messages range from "Support Sadat; Forget Begin" to "Israel should keep the West Bank" and "The U.S. must not bring pressure on Israel."

780027

THE WHITE HOUSE
WASHINGTON
January 9, 1978

Secretary Blumenthal
Charles Schultze

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

RE: SAUDI ARABIAN MONETARY AGENCY
(SAMA)

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

cc Blumenthal

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
✓		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
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	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

cc Mike
Charlie
J

1. Saudi Arabian Monetary Agency (SAMA) has a very active investment program in the U.S.A., where it is directly or through other banking institutions invest its revenues in bonds issued by the American Treasury and as deposit in the American banks.

SAMA investment in the U.S.A. is about 45% of SAMA assests and the rest is distributed arround the World. While the total investment in the treasury's bonds reached 15 billion dollars, the deposits in American banks have reached 8 billion dollars. In Private bonds and stocks SAMA has invested about 3,6 billion dollars.

2. This is not the complete picture of our financial relations, but it is important to mention that 83% of our reserves are in American dollars and only 17% are in other currencies.

3. As a result of the declining of exchange rate of the dollar, the value of the dollar to the Saudi Riyal three months ago was 3,535, but now the Saudi Riyal has appreciated to the dollar where it is 3,49.

Since 83% of our revenue is in dollar so any change in the value of the dollar would affect our reserve. So the Government of Saudi Arabia has lost about 2257 million Riyals.

In as much as the bulk of Saudi Arabia revenue are from oil and in dollar any change in the purchasing power of the dollar is highly important to us. It is a fact that the declining value of the dollar would put those countries who are in favour of an oil freeze in a very difficult position.

According to the International Monetary Fund the price increase of export from the industrialized countries since 1974 to 1977 has expanded 35% while the oil prices have increased by only 15% during the same period. So the purchasing power of the posted price of oil which is \$13.38 is actually equal to \$9.89.

If we take the total oil production of Saudi Arabia which is about 3 billion barrel per year then the total loss of Saudi Arabia as a result of the increase of exports price from the industrialized countries would be estimated to be 6 billion dollars per year.

780030

THE WHITE HOUSE
WASHINGTON

January 9, 1978

Jody Powell

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

cc: Tim Kraft
Fran Voorde

RE: POTENTIAL MEETING - BROADCAST-
ING EXECUTIVES

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
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/		POWELL
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/	KRAFT
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	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
/	VOORDE
	WARREN



Broadcasting Corporation 1601 West Peachtree Street, N.E. • Atlanta, Georgia 30309 • (404) 897-7301

Clifford M. Kirtland, Jr.
President

December 20, 1977

Mr. Charles Kirbo
King & Spalding
2500 Trust Co. of Georgia Bldg.
Atlanta, Georgia 30303

Dear Charlie:

In past administrations, the incumbent President has found it helpful to invite a group of broadcasting executives to an informal luncheon at the White House for an exchange of views.

Groups invited in the past have been representatives of group-owned stations, as well as individual stations, but not network executives. They would represent a cross-section nationally of the broadcasting media, both radio and television.

If this sort of get-together were of any interest to President Carter, we would be most happy in helping to arrange such a meeting.

Sincerely,

Clifford M. Kirtland, Jr.

/mn

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Pres. Carter
ck.

Today
info
J

780028

THE WHITE HOUSE
WASHINGTON

January 9, 1978

Stu Eizenstat

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

DOMESTIC STAFF WEEKLY STATUS REPORT -
GSA Space Requests; State of Union

THE WHITE HOUSE
WASHINGTON

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✓	FROM PRESIDENT'S OUTBOX
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		MOORE
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✓	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 6, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: STUART EIZENSTAT *She*

SUBJECT: Domestic Policy Staff Weekly Status Report

HOUSING AND URBAN DEVELOPMENT

Fanny Mae: We are awaiting recommendations from HUD regarding the resolution of continuing disagreement between HUD and Fanny Mae over the corporation's policies and management. Speaker O'Neill and Senator Cranston have a strong interest in this issue. Memo to you as soon as recommendations are received.

Community Development Block Grant Regulations: There is Congressional support, but opposition from mayors, to HUD's administrative decision to require that 75% of CDBG funds be used to benefit low-income persons. Memo from Assistant Secretary Embry to you as soon as we receive it.

Urban Policy: We are working closely with Pat Harris on a memorandum describing urban policy principles and objectives which we will submit to you shortly.

ECONOMICS AND BUSINESS

Tax Reform: We will be working with Treasury on the Tax Message to Congress.

Economic Policy: We are working with CEA, OMB and Treasury on the coordination of the January economic policy initiatives.

Arab Boycott Regulations: We are working with the Commerce Department to develop final regulations.

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NATURAL RESOURCES

National Heritage Program: Interior Department planning for announcement of program as approved by you.

Dam Safety: Working with Corps and Frank Press' office on implementation of inspection program.

Deep Sea Mining: Working with OMB and interested agencies to develop detailed Administration position on legislation.

Outer Continental Shelf: Participating in informal talks with House staff on proposed Administration floor amendments.

Water Policy Review: Working with OMB, CEQ and Interior on coordination of final options memo and on plans for consultation with Governors.

Excess Lands (160-acre limitation): Secretary Andrus has announced decision not to appeal court ruling that Environmental Impact Statement is required before implementation of regulations. Continuing to coordinate with Interior, CEQ, Agriculture, and OMB on development of legislative and policy recommendations, which should be submitted to you before the end of this month.

ENERGY

National Energy Act (NEA): We are working with Schlesinger, Blumenthal, McIntyre, Schultze and Moore to develop options for compromises on the energy bill and strategy recommendations. Memo to you next week.

Nuclear Licensing Reform: Extensive meetings held over last two weeks with CEQ, NRC and DOE to define issues which must come to you for resolution. OMB preparing draft memorandum for circulation to all interested agencies before submission to you.

ERDA Authorization Legislation: No schedule yet set for action on this bill. Timing for action on the Supplemental Appropriation also uncertain.

Energy Impact Assistance: Continuing to work with DOE, OMB and Watson to form Administration position and possible legislative initiative to assist communities with negative impacts resulting from energy development.

CIVIL SERVICE MATTERS

Hatch Act Reform: The interagency task force continues to meet with the Senate staff to discuss amendments. We are also working with Frank on overall legislative strategy.

Civil Service Reform Initiative: The final decision memorandum is being drafted by Chairman Campbell and OMB. They hope to have it to you within a week. Reorganization project personnel are beginning to draft possible legislation and an interagency legislative team has been set up by Frank's staff. We continue to follow the project closely.

OPENNESS AND INTEGRITY IN GOVERNMENT

Lobby Law Reform: House mark-up and Senate hearings will be held in January. We continue to work on policy amendments and legislative strategy with Frank's staff and an expanded interagency task force and to push for a strong bill. We are meeting with key House members, Senate staff, labor and other groups.

Revision of Security Classification System: A second draft of the Executive Order has been circulated to the agencies. Comments are due January 20.

HEALTH

Planning Guidelines: We are reviewing the controversial proposed health planning guidelines which HEW issued last September and are working to ensure that opposition to the guidelines does not jeopardize planning and cost containment legislation. Final guidelines are expected to be published on or about January 18.

MISCELLANEOUS

Congressional Veto Message: I am meeting with Bob and the Justice Department next week to go over our message.

GSA Space Requests: I am meeting with Jay Solomon next week to discuss pending requests of federal agencies for additional space. *be tough*

State of the Union: We are working with Jim Fallows' staff on a draft of the State of the Union Message, and are preparing a draft of a more detailed message which you may wish to submit in addition to your delivered text. I am very concerned about the absence of progress by the speechwriting staff on a first draft of this address. I have talked to Jody about it, and, since they are under his jurisdiction, he will push them. *Jill help*

780032

THE WHITE HOUSE
WASHINGTON

January 9, 1978

Jody Powell

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: DRUG INTERDICTION RESULTS

THE WHITE HOUSE
WASHINGTON

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

ACTION	FYI	
<input type="checkbox"/>	<input type="checkbox"/>	MONDALE
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<input type="checkbox"/>	AGENCY REPORT
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<input type="checkbox"/>	EXECUTIVE ORDER
Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day	

<input type="checkbox"/>	ARAGON
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THE PRESIDENT HAS SEEN.

To Jody -
Brock has
details
J

DRUG INTERDICTION RESULTS
1973 thru 1977

	1973	1974	1975	1976	1977
VESSELS SEIZED BY COAST GUARD	5	11	5	17	33
VESSELS SEIZED BY OTHER AGENCIES WITH CG PARTICIPATION	2	3	2	9	19
MARIJUANA SEIZED BY COAST GUARD (lbs)	15,700	38,500	94,025	185,568	1,057,640
MARIJUANA SEIZED BY OTHER AGENCIES WITH CG PARTICIPATION(lbs)	4,600	4,975	653	130,003	204,285
COCAINE SEIZED BY COAST GUARD (KG)	0	0	0	20	0
COCAINE SEIZED BY OTHER AGENCIES WITH CG PARTICIPATION (KG)	1	0	0	2	0
HASHISH SEIZED BY COAST GUARD (lbs)	0	5,400	0	0	0 25gal oil
HASHISH SEIZED BY OTHER AGENCIES WITH CG PARTICIPATION(lbs)	0	0	2,000	0	1,700
THAI STICKS SEIZED BY COAST GUARD (lbs)	0	0	0	10,185	12,000
ARRESTS	15	46	28	177	295

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for Preservation Purposes**

780033

THE WHITE HOUSE
WASHINGTON

January 9, 1978

The Vice President
Stu Eizenstat
Bob Lipshutz

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

RE: CAB DECISION - KLM ROYAL
DUTCH AIRLINES FINNAIR OY
(DOCKET 31915)

THE WHITE HOUSE
WASHINGTON

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
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<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

ACTION	FYI	
<input checked="" type="checkbox"/>		MONDALE
<input type="checkbox"/>		COSTANZA
<input checked="" type="checkbox"/>		EIZENSTAT
<input type="checkbox"/>		JORDAN
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<input type="checkbox"/>	ARAGON
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<input type="checkbox"/>	WARREN

THE WHITE HOUSE
WASHINGTON

January 3, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ *BL*
STU EIZENSTAT *Stu*

RE: CAB Decision: K.L.M. Royal Dutch Airlines
Finnair Oy (Docket 31915)

The attached CAB decision suspends discount budget fares filed by Dutch and Finnish airlines for scheduled service between Amsterdam and New York. These fares, which represent 40 to 50 percent discounts, are suspended temporarily to permit negotiation of ad hoc agreements which would allow future suspensions should the fares prove predatory.

The CAB has utilized, and you have approved, this temporary suspension procedure with respect to the similar super-APEX fares. In this case the Board will vacate the suspensions as soon as suitable ad hoc agreements are negotiated. (State indicates that the Dutch government may not allow these fares to become effective in any event, since the Dutch are concerned about proliferation of individually filed low fares. Nevertheless, the Board's order gives State an opportunity to attempt to persuade the Dutch government to enter into an ad hoc agreement.)

The Board's decision becomes final unless disapproved by January 6. Given the routine nature of the decision and the fact that you have approved similar decisions in the past, we consulted with the Vice President and determined simply to let the decision become effective without attempting to bring it to your attention during your foreign trip.

ok
J



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JAN 3 1978

ACTION

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Civil Aeronautics Board Decision: Transatlantic economy-class budget fares proposed by:

K.L.M. Royal Dutch Airlines
Finnair Oy

Docket 31915

The Civil Aeronautics Board proposes to suspend temporarily certain economy-class budget fares filed by the above carriers for scheduled service between Amsterdam and New York.

- The fares are similar to the budget fares approved by you for service between New York and London.
- The fares represent 40% to 50% discounts from regular economy class fares but still provide reserved seats for travelers under certain conditions.

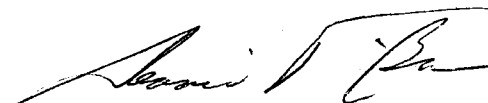
The recent series of innovative, low fare proposals by scheduled carriers is a response to the standby, budget and super-APEX fares between the U.S. and U.K. which you approved last September. The series of temporary suspensions proposed by the Board (on the advice of the Departments of State and Transportation) is designed to permit us to be able to modify the fares at a later time if they in fact prove to endanger the charter operators who have historically been the competitive spur to the scheduled carriers' cartel organization. Charter carriers may need this protection until other countries agree to more liberal charter rules.

The Board proposes to treat these fares exactly as they have treated super-APEX fares. The Board would delay the introduction of these fares until we conclude ad hoc agreements covering these fares with the Netherlands and Finland. Ad hoc agreements have already been concluded with these countries concerning super-APEX fares but not economy-class budget fares.

The Department of State reports that the Dutch government may not allow these fares to become effective in any event since that government is concerned about the proliferation of individually filed low fares. Nevertheless, should the Dutch government want to approve these fares the Board would immediately issue an order vacating the suspension as soon as the ad hoc agreements are concluded.

The Departments of State, Defense, Justice, and Transportation, and the National Security Council have no objection to the Board's proposed order. The Office of Management and Budget recommends that you approve the Board's decision by taking no action.

The Board's decision becomes final unless you disapprove the order on or before January 6, 1978.



Dennis O. Green
Associate Director for
Economics and Government

Attachments:

CAB letter of transmittal
CAB order

Options and Implementation Actions:

- ☐ 1) Approve the Board's decision. (DOS, DOD, DOJ, DOT, NSC, OMB.)
-- Take no action.
- ☐ 2) Disapprove.
-- Appropriate implementation materials to be prepared.
- ☐ 3) See me.

FOR OFFICIAL USE ONLY



CIVIL AERONAUTICS BOARD

WASHINGTON, D.C. 20428

IN REPLY REFER TO: B-1-63c

December 27, 1977

The President
The White House
Washington, D. C.

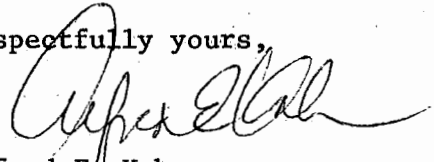
Dear Mr. President:

I enclose for your review copies of a Board order which suspends economy-class budget fares proposed by K.L.M. Royal Dutch Airlines and Finnair Oy for air transportation across the North Atlantic. I submit this order in accordance with section 801(b) of the Federal Aviation Act of 1958 (P.L. 92-259).

K.L.M. Royal Dutch Airlines and Finnair Oy have proposed new economy-class budget fares between New York and Amsterdam. We are recommending suspension of the fares at this time only as a procedural matter since this Government has not secured agreements with the Netherlands and Finland which would allow us to suspend the fares after they become effective. Without such an agreement, any future action the United States might wish to take against the budget fares, in the event they are found predatory, would be effectively foreclosed under the terms of the respective Air Services Agreements between the United States and the two countries.

If the U.S. Government succeeds in concluding appropriate ad hoc agreements with the Netherlands and Finland before the tariffs become effective, the Board will withdraw the enclosed order. If agreements are concluded after the fares are suspended, we will transmit another order under section 801 vacating the suspensions and, at the same time, will allow the carriers to refile their budget fares on short notice.

Respectfully yours,


Alfred E. Kahn
Chairman

Enclosure

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FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

All Members of the Civil Aeronautics Board
concurred in the adoption of this order.

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 27th day of December 1977

Transatlantic economy-class budget :
fares proposed by: :

Docket 31915

K.L.M. Royal Dutch Airlines :
Finnair Oy :

ORDER OF INVESTIGATION AND SUSPENSION

The Board has been following a policy of suspending transatlantic low-fare filings in cases where negotiation of special intergovernmental agreements are necessary to permit suspension of these fares after they become effective. 1/ K.L.M. Royal Dutch Airlines (KLM) has filed tariffs for effect January 8, 1978, to introduce economy-class budget fares between New York and Amsterdam at a level of \$149.50 for one-way travel and twice that amount for round-trip travel. Finnair Oy (Finnair) has filed to match KLM's budget fares effective January 30, 1978. The United States does not have agreements with the Governments of the Netherlands and Finland which would permit us to suspend the budget and other low fares once they become effective, although such agreements are in effect with the two governments covering super-APEX fares. In these circumstances, the Board finds that KLM and Finnair's proposed budget fares may be unjust, unreasonable, unjustly discriminatory, unduly preferential, unduly prejudicial, or otherwise unlawful and should be investigated

1/ On September 16, 1977, the Board adopted an order suspending, pending investigation, super-APEX (advance-purchase excursion) fares proposed by several carriers in the New York-London market. The order was submitted to the President pursuant to section 801 of the Federal Aviation Act and, by letter dated September 26, 1977, the President notified the Board that he was disapproving its proposed suspension for reasons of foreign economic policy.

The Board had proposed suspension of the super-APEX fares based on its view that they would have a predatory impact on charter services, whether or not so intended. In his letter, the President stated that, if the Board obtained new evidence after the fares became effective that they were indeed predatory, he would consider a suspension under terms of the ad hoc agreement negotiated on September 19, 1977, with the United Kingdom. The ad hoc agreement gives either party the right to suspend the super-APEX fares on six weeks' notice, and was necessary since the terms of some bilateral air transport agreements do not provide for suspension of tariffs already in effect.

and, pending investigation, should be suspended. Upon conclusion of suitable ad hoc agreements with the Netherlands and Finland, covering the budget and other low-fare proposals, the suspension will be vacated.

Accordingly, pursuant to the Federal Aviation Act of 1958 and particularly sections 102, 204(a), 403, 801, and 1002(j),

IT IS ORDERED THAT:

1. An investigation be instituted to determine whether the fares and provisions set forth in Appendix A hereof, and rules, regulations, or practices affecting such fares and provisions, are or will be unjust, unreasonable, unjustly discriminatory, unduly preferential, unduly prejudicial, or otherwise unlawful, and if found to be unlawful, to take appropriate action to prevent the use of such provisions or rules, regulations, or practices;
2. Pending hearing and decision by the Board, the tariff provisions specified in Appendix A hereof be suspended and their use deferred from January 8, 1978, to and including January 7, 1979, unless otherwise ordered by the Board, and that no changes be made therein during the period of suspension except by order or special permission of the Board;
3. This order shall be submitted to the President 2/ and shall become effective on
4. The investigation ordered here shall be assigned for hearing before an administrative law judge of the Board at a time and place hereafter to be designated; and
5. Copies of this order shall be filed in the aforesaid tariffs and be served upon Finnair Oy and K.L.M. Royal Dutch Airlines.

This order will be published in the Federal Register.

By the Civil Aeronautics Board:

Phyllis T. Raylor
Secretary

(SEAL)

2/ This order was submitted to the President on December 27, 1977.

PASSENGER FARES TARIFF NO. PF-4, C.A.B. NO. 44
ISSUED BY AIR TARIFFS CORPORATION, AGENT

On Original, 1st and 2nd Revised Pages 50-C, all provisions in Rule 157.

On 7th, 8th, and 9th Revised Pages 222-C, all fares and provisions in
Table 157.

780016

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

6 January 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM:

RICK HUTCHESON *RH*

SUBJECT:

Status of Presidential Requests

EIZENSTAT:

1. (2/16) Opportunity for regulatory reform -- In Progress, (memo on possible 1978 regulatory initiatives expected 1/17, previously expected 1/7).
2. (8/5) The President would like a study done to determine if the curriculum at the service academies can/should be more narrowly focused on their future careers -- Done *done*
3. (12/21) Clear any significant changes with the President after Schultze and McIntyre have O.K.'ed the statement on the balance of trade and payments issue -- Done (12/21). *done*

BRZEZINSKI:

1. (7/28) Assess briefly the number of federal employees abroad, the current number seems excessive. (7/30) OK, the President's concern is the large number of non-State personnel in our embassies -- Done. *done*
2. (12/9) Assess with the Vice President and Frank Moore the best strategy for congressional action re: the Turkish and Greek DCA's -- In Progress, (strategy meeting to take place the week of 1/9, recommendations expected for your review by 1/17).
3. (12/12) You and Secretary Vance work out a draft statement regarding South Korea, acknowledging imperfections, but emphasizing commitment to ROK security and strategic need for US. Don't let Tongsun Park case disrupt relations. The President will decide when to make the statement -- In Progress, (draft statement expected 1/9).

- 2 -

4. (12/21) (H. Brown) Would you schedule a report to you and the President for Summer 1978 by the service academies on the pertinence of their academic curricula to the needs of their officer corps? Please inform the Superintendents now that this report will be wanted. The President believes that they are already making some improvements -- Message Conveyed (12/21).

*done-
keep
better*

MOORE:

1. (12/13) (Confidential) Talk to Bergland and then to committee chairman or to the President about the target price for 1977 crop for sorghum and barley. Minimize 1977 payments without violating Bob's commitment. Keep this confidential and report back to the President -- Done (in 1/7 weekly report).

done

JORDAN:

1. (12/9) Minimize Paul Porter's presence at the White House -- Done (Message Conveyed).

done

SCHLESINGER:

1. (8/22) (and Stu) Begin preparing for action regarding options to reduce oil imports -- Done.
2. (12/5) Please give the President a written assessment of your top 45 people regarding demographic make-up -- In Progress, (expected 1/10).
3. (12/28) Analyze the attached material from Senator Humphrey concerning possible new energy sources -- In Progress, (expected, 1/10).

done

POWELL:

1. (12/26) (Granum) Follow-up with Secretary Bergland on the farm meeting in Plains -- In Progress, (Rex sent a follow-up memo to Bergland on 12/27).

done

WATSON:

1. (12/19) Jim Hunt is Chairman of the NGC Committee on crime; he wants a letter from the President to him requesting that he work with you and the Attorney General on crime program. Call him and draft a letter for the President to sign -- Done, (Jack has responded, a copy of his letter is attached).

done

THE WHITE HOUSE

WASHINGTON

January 3, 1978

Dear Jim:

Since the President is travelling out of the country, I wanted to go ahead and respond to your letter to him dated December 22, 1977. Before he left, he asked me to ensure that you were given a full opportunity to work with the Attorney General and the White House staff in developing the Administration's crime program.

We have discussed the President's request regarding your participation with Ben Civiletti, the Deputy Attorney General, who is supervising development of the Criminal Justice Program at Justice. Ben will personally call you within the next few days to bring you up-to-date on the subject and to discuss specific ways in which you and other Governors can effectively participate in the planning process.

The President agrees with you that the states have a major role to play in developing effective programs to fight crime and to protect the public safety.

As always, I look forward to working with you.

Warm personal regards.

Sincerely,

Jack H. Watson, Jr.

The Honorable James B. Hunt, Jr.
Governor of North Carolina
State Capitol
Raleigh, N. C. 27611

THE WHITE HOUSE
WASHINGTON

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<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day	

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<input type="checkbox"/>	WARREN

THE WHITE HOUSE
WASHINGTON

rick--

please send me cc
of attached

thank s- ssc

780024

THE WHITE HOUSE
WASHINGTON

January 9, 1978

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: WEEKLY LEGISLATIVE REPORT -
NATURAL GAS

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

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✓		MOORE
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	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 6, 1978

Q

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

THE PRESIDENT

FROM:

FRANK MOORE

SUBJECT:

Weekly Legislative Report

1. ENERGY

Coal Conversion and Public Utility Rate Reform: Committee staff have virtually completed work on these two draft bills.

Conservation: The only outstanding issue is auto fuel efficiency (the Metzenbaum amendment on minimum mileage standards). The House conferees insist on using the gas guzzler tax approach contained in the House-passed version of the energy act. The tax conference has tentatively agreed to a gas guzzler tax, but there has been no final resolution on the issue.

Energy Taxes: The tax portion still awaits progress on the question of gas pricing. The staff has worked around the delay caused by the gas section and, as a result, the outline of a possible compromise is being worked on. The compromise would involve Administration agreement to a diminished industrial use tax, and a trust fund and expenditure program for part of the crude oil tax revenue (25% is the latest figure).

-- Despite progress on a staff level, Chairman Long has succeeded in establishing his own ground rules for timing of formal conference action -- no energy taxes until a gas compromise is reached. This has the effect of keeping the pressure on us in the gas conference and allows Chairman Long to give the industry whatever it does not get for natural gas.

Natural Gas: The Senate conferees remain deadlocked 9 to 9 on the deregulation issue; Congressman Dingell has said that the House conferees will make no moves until this deadlock is broken. DOE officials have been meeting with Jackson's staff this week to try to shape a compromise acceptable to a majority of the Senate conferees, as well as to the Administration.

-- The political problems are delicate, since a proposal that could win over Ford and/or Johnston could result in the defection of one or more liberal like Abourezk, Metzenbaum and/or Durkin. These latter Senators believe current law is preferable to any compromise that can now emerge. They believe the chances are good that regulation of intrastate supplies can be achieved through the consumer groups' petition that has been filed at FERC even if no gas bill were passed. They cannot understand why the Administration has not filed comments in support of the FERC *What is this?* petition.

-- In general, the liberal side questions our failure to float the prospect of relying on current law plus the FERC petition as a viable and credible alternative to an unfavorable compromise on natural gas. They feel this would strengthen our bargaining position immeasurably.

Strategy Meeting: A meeting was held in the White House Thursday afternoon (January 5) involving Secretaries Schlesinger and Blumenthal, Charlie Schultze, Stu Eizenstat, members of their respective staffs and staff from the Congressional Liaison office, to discuss possible changes in strategy.

-- Secretary Schlesinger, Al Alm and Les Goldman said that they are drafting a detailed memo which will be staffed out this weekend. Secretary Schlesinger said that he and other DOE officials would be meeting with Senator Jackson today and tomorrow (Friday and Saturday) in California. In addition, Secretary Schlesinger reported that Senator Byrd has agreed to stress to Jackson and Long that the entire legislative agenda will be thrown into turmoil if the energy issue drags on too long.

-- It was also suggested that you should make some calls early in the week to selected conferees. A memo explaining the reasons for the calls and a call list will accompany any firm request. *ok*

2. FOREIGN POLICY ISSUES

Panama: The Baker-Torrijos talks have undermined our position in opposition to all understandings, reservations, etc. to the Treaties. Torrijos has indicated publicly he may accept some alterations in the Treaties -- this could cause some serious problems.

-- Torrijos must immediately take a firm stand clarifying exactly how flexible he is and strongly opposing any alterations beyond that line. Frank Moore has reported from Panama that the General may do that on Saturday.

-- Torrijos may accept an understanding incorporating the terms of the October 14 statement of clarification. If that is as far as he is willing to go, then he must clearly say so. Otherwise, we will have difficulty holding the line against further alterations of the Treaties on the Senate floor.

-- Senators Dole and Allen have both stated that they intend to offer numerous amendments. In Allen's case, they may number in the hundreds. The strategy is obviously to defeat the Treaties by attaching amendments unacceptable to Panama -- not defeating the Treaties on an up-or-down vote.

-- Our interagency task force (CL staff) has begun to meet. We anticipate the meetings will take place on a daily basis as we approach the time for Senate debate.

SALT: Our allies (e.g. Senators Hart and Culver) are anxiously awaiting a more visible effort on behalf of the pending SALT II agreements. NSC's interagency task force has been busy during the break preparing detailed briefing and background materials for public and Senate consumption.

-- It is not too early to begin planning a strategy for dealing with anticipated Senate amendments, reservations, etc. to the agreement when it is eventually concluded.

-- Also, we may be able to take advantage of a growing rift between senior staff of the Foreign Relations and Armed Services Committee staff on jurisdiction. If Senator Sparkman can be tactfully energized to more vigorously assert his committee's jurisdictional prerogatives, we would be in a better position when the primary hearings begin.

International Finance: Treasury is preparing a comprehensive strategy paper on both the International Financial Institutions appropriations and on the authorization and appropriations of the Witteveen Facility. Treasury advises that the strategy will include the roles to be played by you, the Vice President, Secretary Blumenthal and other Cabinet members, and the Congressional Liaison offices.

-- Treasury has already consulted with the relevant congressional offices on the outline of the Presidentially mandated IFI study, and will be pursuing three objectives in the IFI strategy: (1) discussing the \$3.5 BILLION budget request for IFIs in 1979; (2) explaining the decision to fully fund the \$35 million in past arrearages for the IFIs; and (3) consulting on the progress of the IFI study. House and Senate committee staffs expect that commodity questions will dominate congressional interest next year ('Doc' Long has not only circulated a "Dear Colleague" letter on steel, but also, as a result has been approached by the House textile interest to look into IFI-related textile exports). House committee staff have also indicated that the committee would probably react negatively to large "arrearages" funding.

3. SUPPLEMENTAL APPROPRIATIONS

-- The B-1 bomber rescission vote, scheduled for the Senate in December, was postponed because Senator Stennis decided that the +3 to 5 estimated vote margin was not a sufficiently strong Senate mandate on the issue.

-- We have begun another round of calls to Senators in preparation for a vote on January 24. DOD indicates that Rockwell has begun a massive lobbying campaign, even larger than their previous efforts. OMB, Defense and White House liaison are all involved in countering those efforts.

-- You may be asked to make additional calls.

4. WELFARE REFORM

-- In December, Corman's Welfare Reform Committee completed action on the cash and earned income tax credit sections of the welfare reform bill. The decisions which were made were tentative and Members will vote on every item again in late January with a draft bill before them. The jobs section of the bill was deferred until Congress reconvenes. Gus Hawkins was unwilling to discuss the jobs component of the proposal until after certain decisions had been made on the CETA program.

5. BLACK LUNG BENEFITS

-- Labor Department staff has met several times with Senate and House staffs to assist in drafting the final language of the benefits bill conference report. DOL, however, is seriously concerned about the black lung trust fund revenue bill which was separated from the original legislation, passed by the Senate at the end of the 1st Session, and is awaiting House action. DOL advises that the revenue financing formula is deficient in providing the funding necessary to meet projected program and administrative costs. DOL is preparing a detailed memo on the estimated five-year shortfall.

**Electrostatic Copy Made
for Preservation Purposes**

Veto?

6. DROUGHT DISASTER

-- Joint hearings by the Senate Small Business Committee and the Committee on Agriculture, Nutrition and Forestry are scheduled for January 30-31 and February 1. The major issue will probably be whether SBA will continue its farm-lending activities. The Administration position is that Agriculture should make such loans. Senator Nelson, Chairman of the Small Business Committee, would not be greatly concerned if SBA lost this function. However, Rep. Neal Smith (D-Iowa), Chairman of the House Small Business Committee, is the leading advocate in the House of SBA participation in farm lending and getting a bill supporting the Administration position from his Committee will be difficult. A meeting on legislative strategy on this issue, attended by representatives of OMB, Agriculture and SBA, is being set up by Administrator Weaver.

7. FARM STRIKE

-- Secretary Bergland is in Omaha, Nebraska today (Friday) to meet with representatives of the American agriculture movement. The meeting is being hosted by Nebraska Governor James Exon as well as governors from other strike-affected states, and is open to the press.

-- Senator Dole has scheduled a field hearing on the strike in Kansas City, January 16. He has invited, among others, the entire membership of the Senate.

8. NOMINATIONS

-- The Secretary of the Senate has returned to you those nominations that failed confirmation during the 1st Session. Each name must be resubmitted to the Senate before the nominee can be considered again.

-- We have prepared a political analysis of each nominee's current status for Hamilton and Bob Lipshutz. They will deal with you directly on the question of resubmittal.

-- The following nominations warrant particular attention: Kent Hansen (Nuclear Regulatory Commission), Marion Edey (CEQ), Robert F. Collins (Judge, Eastern District of Los Angeles), and Irby Turner (CPB).

9. MISCELLANEOUS

-- New York City will submit its request for financial assistance on January 20 and after evaluation, Treasury will submit its proposed legislative plan to Congress. This promises to be an exercise in brinkmanship between the Federal government and the State and City government over who will do what for the city.

-- On December 29, Senator Proxmire chaired a hearing of the Joint Economic Committee with Admiral Rickover and other Navy Department witnesses on contractors' shipbuilding claims. There was considerable discussion regarding the allegation of fraudulent claims and the method of settlement (the latest round of shipbuilding claims negotiations began last year). DOD advises that this subject will be one which must be dealt with next year, especially since allegations of fraud have been raised.

-- Rep. Rosenthal's Commerce, Consumer and Monetary Affairs Subcommittee (Government Operations) is now making rather unabashed efforts to hurry the pace and influence Treasury rulings dealing with multinational oil companies and the creditability for American income tax purposes of certain alleged income taxes paid to members of OPEC, most particularly Saudi Arabia.

-- At its next meeting on January 10, the Legislative Interagency Group (LIG) will consider several alternatives for White House participation in briefing Members on foreign aid budget decisions, both long-range and for FY 1979.

-- Since your departure on the trip, three more House Democrats have announced their retirement: Lloyd Meeds (Wash.), Bernie Sisk (Cal.), and John Moss (Cal.).

780029

THE WHITE HOUSE
WASHINGTON

January 9, 1978

Stu Eizenstat
Frank Moore

The attached was returned in the President's outbox and is forwarded to you for appropriate handling.

Stu - The Vice President wants to announce any barley decision with Foley on the Vice President's trip.

Rick Hutcheson

cc: The Vice President

RE: BARLEY PRICE SUPPORTS

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE
WASHINGTON

Note: to ~~SE~~ ; The VP wants
to announce any Barley decision
w/ Foley on
The VP's
trip

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THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

January 6, 1978

Shir-
Tell Bob to
do minimum necessary
to honor his
promise
J

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE
SUBJECT: Barley Price Supports

Per your request, we have checked with appropriate people on the Hill regarding barley price supports:

Senate: Chairman Talmadge has no state interest in this matter. However, his Chief Counsel -- Mike McLeod -- advises that several Committee Members (both Republicans and Democrats) do have an interest and Secretary Bergland should be very careful in keeping any commitments made to individuals on the Committee.

House: Chairman Foley is aware of Secretary Bergland's commitment to include barley in the retroactive price support category (in the same category as corn and wheat). The promise to exercise the Secretary's discretion was offered to prevent mandating a higher price in the bill.

The Chairman does not feel strongly either way; he simply wants the issue resolved quickly so other payments can be made.

In addition, Chairman Mahon's staff called our office and relayed the Chairman's view that target prices should be based on cost of production as opposed to the nutritional value as it relates to corn. Furthermore, Chairman Mahon wants to learn of your decision "as soon as it is made."

ADMINISTRATIVELY CONFIDENTIAL

Electrostatic Copy Made
for Preservation Purposes

70020

THE WHITE HOUSE
WASHINGTON

January 9, 1978

Jim McIntyre

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: NEXT STEPS ON EDUCATION REORGANIZA-
TION

CC: The Vice President
Stu Eizenstat
Hamilton Jordan

Confidential

DETERMINED TO BE AN ADMINISTRATIVE
MARKING BY *Jan*

DATE *4/6/90*



THE PRESIDENT HAS SEEN.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

~~Confidential~~

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. McIntyre, Jr. *Jim McIntyre*
SUBJECT: Next Steps on Education Reorganization

Our meeting with you on November 28 to discuss options for reorganization of education programs produced agreement that:

- Your commitment to a new Cabinet-level department encompassing education and related programs should be reaffirmed publicly.
- The new department should be as broad in scope as possible, and should not be dominated by a single constituency group.
- We should work with Senator Ribicoff in developing a legislative proposal.
- The Education Division of DHEW should be restructured internally as an interim step toward and consistent with movement toward a new department.

Several issues remain to be resolved, including:

- What should be the forum for a public reaffirmation of your commitment to establish a new department?

The choices are: a formal announcement in the context of

- the state of the Union address,
- a special Presidential message on education policy and reorganization in February or March,
- a statement or speech by the Vice President;

or a less formal context such as a response to a question in a Presidential press conference.

DECLASSIFIED
E.O. 12356, SEC. 3.4(b)
WHITE HOUSE GUIDELINES, FEB. 24, 1983
BY *Jay* NARS DATE *4/6/90*

DETERMINED TO BE AN ADMINISTRATIVE
MARKING BY *Jay* DATE *9/10/90*

I suggest an informal response to a press question, while we proceed to work with Senator Ribicoff and other Members of Congress, and the interest groups.

Agree ✓ Disagree

*VP statement
also ok*

Comments:

- ° How should the breadth of the department you support be characterized publically?

There was some disagreement on this issue at our November 28 meeting.

Joe Califano, Charlie Schultz and Jack Watson advised that you make no statement of preference for a "broad" department but that you should rule out a "narrow" department.

Stu and Hamilton advised that you should reaffirm your campaign commitment to a new department without stating a preference that it be broad. Stu thinks that social services should not be included because of their strong relationship to welfare, social security and medicaid.

We advised that you should state your preference for a broad department including education and related human development programs. I understand Stu's argument about social services. We will have to evaluate these programs carefully to determine which ones are most closely related to education and should be included. I do, however, advise that you indicate that you favor a department which views education in the context of the family and related community institutions. This would give us the leeway we need to work out the substantive and political details. Senators Ribicoff and Williams, and Congressman Brademas have said they would like to pursue this broad concept.

Agree ✓ Disagree

Comments:

*Be general -
not specific -
J*

- ° How, and how far, should DHEW proceed with an interim reorganization of its Education Division?

The changes that Joe Califano has proposed, such as consolidating the offices of the Commissioner and the Assistant Secretary for Legislation under a single point of leadership, would require a reorganization plan. Though this change is desirable, the submission of a reorganization plan to the Ribicoff committee may be confusing and burdensome in light of the legislative proposal for a new department. I suggest that Secretary Califano be authorized to include changes that cannot be accomplished administratively and are compatible with movement toward a new department in the education legislation that we will submit to the authorizing committees.

Agree ✓ Disagree

Comments:

Based on your guidance, we will complete our substantive analysis and work with the NEA, Members of Congress and other relevant interest groups to develop the details of a proposal on which Senator Ribicoff and Congressman Perkins would take the lead. Senator Ribicoff has agreed to postpone his hearings until April so we can develop a joint proposal.

cc: Vice President
Stu Eizenstat
Hamilton Jordan

THE WHITE HOUSE
WASHINGTON

replaced
by other
members

THE WHITE HOUSE
WASHINGTON

8³⁵
AM

Fred Brown will call back w/
the hour re: a new memo h/c
of a Sat T/C w/ SE. New
memo will now be here in
11 AM. He will call back to
confirm.

DS

THE WHITE HOUSE
WASHINGTON

11/7

Per Fred Thompson/Henry McI -
word for Calhoun memo,
24p 2078 Sat (today).

It should all be forwarded to
The President before The Wed
mtg w/ State Education
Officers.

ES



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JAN 01 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. McIntyre, Jr. *Jim McIntyre*

SUBJECT: Next Steps on Education Reorganization

In our meeting on November 28 to discuss options for reorganization of education programs, you indicated that:

- ° Your commitment to a new Cabinet-level department encompassing education and related programs should be reaffirmed publicly.
- ° The new department should be as broad in scope as possible, and should not be dominated by a single constituency group.
- ° We should work with Senator Ribicoff in developing a legislative proposal.
- ° Consistent with movement toward a new department, the Education Division of DHEW should be restructured internally as an interim step.

Several issues remain to be resolved, including:

- ° What should be the forum and timing for a public reaffirmation of your commitment to establish a new department?

The choices include: a formal announcement in the context of

- the State of the Union address,
- a special Presidential message on education policy and reorganization in February or March,
- testimony before the Ribicoff committee hearings on an Education Department in April;

DETERMINED TO BE AN ADMINISTRATIVE
MARKING BY *[Signature]* DATE *4/15/90*

or in a less formal context such as a meeting with education group(s) or in response to a question in a Presidential press conference.

I understand that you will be meeting with the 50 state education commissioners on Wednesday, January 11. You will likely be asked for your position on a new department. You may want to use this opportunity to reaffirm your commitment. A special education message might also be desirable at a later date.

° How should the breadth of the department you support be characterized publicly?

There was some disagreement on this issue at our November 28 meeting.

Joe Califano, Charlie Schultz and Jack Watson advised that you make no statement of preference for a "broad" department but that you should rule out a "narrow" department.

The Vice President, Stu and Hamilton advised that you should reaffirm your campaign commitment to a new department without stating a preference that it be broad. Stu thinks that social services should not be included because of their strong relationship to welfare, social security and medicaid.

We advised that you should state your preference for a broadly based department including education and related human development programs. I understand Stu's argument about social services. We will have to complete our work of determining which programs are most closely related to education and should be included, and which should not.

I do, however, advise that you indicate publicly that you favor a department which views education and related programs in the context of the family and community institutions. This would give us the leeway we need to work out the substantive and political details. Senators Ribicoff and Williams and Congressman Brademas have said they would like to pursue this broad concept.

- ° How, and how far, should DHEW proceed with an interim reorganization of its Education Division?

A proposal to reorganize the Education Division is being developed by DHEW. As Joe pointed out in our meeting, the desired changes -- such as consolidating the offices of the Commissioner and Assistant Secretary for Education under a single point of leadership -- will require congressional approval. In deciding how to implement DHEW interim reorganization, we must think seriously about its compatibility, both substantive and political, with movement toward a new department.

On the merits, any proposal should clearly represent a first step toward a new department, and not limit options for its internal structure. Also, it should not set up political signals in apparent conflict with the commitment to create a new department. This is a particularly sensitive matter since the same House and Senate committees which would receive any plan for internal DHEW reorganization will also consider legislation to create a new department.

We expect to participate in the hearings on the Education Department in April that Senator Ribicoff has planned. At a minimum, we must consult with Senator Ribicoff and others in developing a strategy to accomplish an interim DHEW reorganization consistent with a new department.

In the meantime, we will continue our substantive analysis and work with the NEA, Members of Congress and other relevant interest groups to develop the details of a legislative proposal on which Senator Ribicoff and perhaps Congressman Perkins could take the lead.

cc: Vice President
Joe Califano
Stu Eizenstat
Hamilton Jordan
Frank Moore
Jody Powell